

REPORT OF THE COMMISSION FOR THE STUDY OF
PROPERTY TAX EXEMPTIONS AND CLASSIFICATIONS
TO THE GOVERNOR AND
THE GENERAL ASSEMBLY OF 1973

INSTITUTE OF GOVERNMENT



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STATE OF NORTH CAROLINA

The Commission for

The Study of Property Tax Exemptions and Classifications

671 REVENUE BUILDING, RALEIGH, NORTH CAROLINA 27611

January 3, 1973

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To His Excellency, James E. Holshouser, Jr.
Governor of North Carolina

Dear Governor Holshouser:

Transmitted herewith is the report of the findings, conclusions and recommendations of the Commission for the Study of Property Tax Exemptions and Classifications.

The work of the Commission was performed in accordance with the requirements of Resolution No. 111 of the General Assembly of 1971 which authorized the appointment of the Commission.

Respectfully submitted,

Wesley D. Webster
Chairman

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NORTH CAROLINA
GENERAL ASSEMBLY
1971 SESSION
RATIFIED RESOLUTION
RESOLUTION 111
HOUSE JOINT RESOLUTION 1383

A JOINT RESOLUTION CREATING A COMMISSION FOR THE STUDY OF
PROPERTY TAX EXEMPTIONS AND CLASSIFICATIONS OF THE STATE
OF NORTH CAROLINA TO MAKE RECOMMENDATIONS TO THE GOVERNOR
AND THE 1973 GENERAL ASSEMBLY.

WHEREAS, the power of granting exemptions from
property taxes and the power of classifying property for
taxation are vested in the General Assembly by the Constitution
of North Carolina; and

WHEREAS, the cumulative effect of the continuing
exercise of these great powers results in distortion of the
property tax burden, erosion of the tax base, and unfair and
unequal treatment of property taxpayers;
Now, therefore, be it resolved by the House of Representatives,
the Senate concurring:

Section 1. There is hereby created a Commission for
the study of property tax exemptions and classifications to be
composed of nine members, three to be appointed by the Governor,
three to be appointed by the President of the Senate, and three
to be appointed by the Speaker of the House.

Sec. 2. It shall be the duty of the Commission to study and review the constitutional history, laws, and practices relating to the exemption and classification of property for ad valorem tax purposes, including proposals for exemption and classification which have yet to become law, and to recommend to the 1973 General Assembly a statement of public policy to guide the future exercise of discretion by the General Assembly; the continuation, addition, or deletion of specific exemptions and classifications; and such other matters related to improvement of property tax administration as time and circumstances may permit.

Sec. 3. Upon its appointment, the Commission shall organize by electing from its membership a chairman and a vice chairman. The Administrative Officer of the State Board of Assessment shall serve as secretary to the Commission, but shall not be a member. The Commission is authorized, with the approval of the Governor, to employ such clerical and other assistants, professional advice and services as may be deemed necessary in the performance of its duties.

Sec. 4. The members of the Commission shall be paid such per diem and travel expenses as are provided for members of State boards and commissions generally. The expenses of the Commission shall be paid from the Contingency and Emergency Fund.

Sec. 5. The State Board of Assessment, the Commissioner of Revenue, the Director of Tax Research and all local taxing officials shall make themselves and their staffs available to the Commission.

Sec. 6. The Commission shall submit its report by December 1, 1972, to the Governor for transmittal to the Advisory Budget Commission and the 1973 General Assembly.

Sec. 7. This resolution shall become effective upon its adoption..

In the General Assembly read three times and ratified, this the 20th day of July, 1971.

H. P. Taylor, Jr.
President of the Senate.

Philip P. Godwin
Speaker of the House of Representatives.

MEMBERS OF THE COMMISSION

Appointed by Governor Robert W. Scott:

Maxton Bass
Newton Grove, North Carolina

Richard Lowder
Lexington, North Carolina

Marvin L. Speight, Jr., Vice-Chairman
Farmville, North Carolina

Appointed by Lieutenant Governor H. Patrick Taylor, Jr.:

Bobby L. Combs
Hickory, North Carolina

Lamar Gudger
Asheville, North Carolina

F. O'Neil Jones
Wadesboro, North Carolina

Appointed by Speaker Phillip P. Godwin:

E. Lawrence Davis, Vice-Chairman
Winston-Salem, North Carolina

Carl V. Venters
Jacksonville, North Carolina

Wesley D. Webster, Chairman
Madison, North Carolina

COMMISSION STAFF

Institute of Government

Henry W. Lewis
Joseph W. Freeman

State Board of Assessment

D. R. Holbrook
R. W. Ellis

Clerical

Hazel C. Cooper
Wanna C. Fraizer

PART I

THE REPORT OF THE COMMISSION

To the Governor and the Members of the General Assembly of 1973:

The Commission for the Study of Property Tax Exemptions and Classifications was created by Joint Resolution No. 111 of the General Assembly of 1971. Section 2 of the Resolution sets forth the duty of the Commission as follows:

"It shall be the duty of the Commission to study and review the constitutional history, laws, and practices relating to the exemption and classification of property for ad valorem tax purposes, including proposals for exemption and classification which have yet to become law, and to recommend to the 1973 General Assembly a statement of public policy to guide the future exercise of discretion by the General Assembly; the continuation, addition, or deletion of specific exemptions and classifications; and such other matters related to improvement of property tax administration as time and circumstances may permit."

The Commission held its first meeting on April 6, 1972. In addition to electing its officers, the Commission heard a report from Secretary D. R. Holbrook outlining some of the many problems confronting the property tax in North Carolina. Beginning with its next meeting on April 27, 1972, the Commission met regularly, at least once a month, until its

final meeting on December 13, 1972. Although all of the meetings were open to the public, two meetings were held especially for the purpose of affording interested persons an opportunity to present their views on present exemptions and classifications as well as proposals for additional ones.

The Commission was assisted throughout the course of its work by Mr. Henry W. Lewis, Assistant Director of the Institute of Government and Mr. D. R. Holbrook, Administrative Officer of the State Board of Assessment. In view of his long experience in the property tax, Mr. Lewis was uniquely qualified to serve as consultant to the Commission and his contribution to the Commission's work could hardly be overemphasized. The Commission is especially grateful to Mr. Lewis for his instruction and advice in three important areas: (1) The legislative history of present exemptions and classifications; (2) The constitutional authority--or the lack of it--for the present exemptions; and (3) The significance of decisions of the United States and North Carolina Supreme Courts relating to exemptions and classifications.

The Commission spent many hours studying and discussing the pros and cons of all of the present exemptions and classifications, including those contained in statutes other than the Machinery Act. Every known exemption statute was carefully analyzed and considered on its merits. In most cases, the exemptions were considered to be of sufficient overall benefit to be continued. Many of them were rewritten for clarity.

In some instances, the Commission felt that the exemption provisions could be retained in their present form while others needed to be redrafted as classifications to meet constitutional standards. Others were felt to have outlived their usefulness or no longer had validity. Part II of this Report contains drafts of bills containing the Commission's recommended revisions of present exemption and classification statutes and proposed deletions. Part III is a list of statutes which the Commission recommends be retained without revision. Part IV contains explanations of the Commission's reasoning for its recommendations in Part II.

Two particular subjects which the Commission gave long and intensive study were the \$5,000 exemption for certain aged and indigent persons enacted by the 1971 General Assembly and the proposals for preferential taxation of farmland. They were first considered by subcommittees and then by the full Commission. It is the Commission's view that the recommended revision of G. S. 105-277.1 included in Part II of the Report will eliminate most of the inequities and administrative difficulties contained in the present statute.

The Commission is also aware of the serious problems facing certain farmers whose property lies in the rapidly developing areas around some of our larger cities. After careful consideration of the matter, however, the Commission concluded that it could not recommend that the State abandon the principle of uniform appraisal at fair market value on the basis of the proposals submitted. It is the Commission's view that the proposals raise serious constitutional and administrative questions which need

to be resolved before any action should be taken in this area. Other major concerns of the Commission were the lack of any reliable estimate of the impact of these proposals on the local tax base and the consequent necessity of offsetting the decrease in taxable valuations by increasing tax rates. Higher tax rates affect all property owners and would result in higher tax bills for most taxpayers, including many farmers. At the Commission's request, the Institute of Government prepared a detailed analysis of the experiences of other states having statutes similar to those proposed in North Carolina. The overall conclusion of the report is that the statutes providing preferential tax treatment to farmland have not been effective in preventing the conversion of farmland to other uses. Such statutes may have, in some instances, accelerated the conversion of rural land.

The Commission feels that it should also mention another area in which it is recommending a revision in the present statute -- that of household and kitchen furniture and personal effects. The revised version of the exemption is explained in Part IV. The North Carolina Association of Assessing Officers at its annual meeting in November, 1972 unanimously recommended that property of this nature be classified and excluded from the tax base. In a presentation to the Commission on December 13, 1972, Forsyth County Tax Administrator Cameron Easton pointed out the many inequities and administrative difficulties in the present system which could not be corrected by revision of the statute. The Commission recognizes the desirability of the

proposal but feels that the matter should be given more study than it could give in the time remaining. This same proposal is contained in a report presented to the Commission by its Secretary D. R. Holbrook on September 15, 1972. Since the major portion of that report dealt with matters other than exemptions and classifications, the Commission did not feel that it could deal effectively with Mr. Holbrook's proposals and still carry out its principal responsibility -- that of exemptions and classifications.

One of Mr. Holbrook's proposals that the Commission did endorse was the repeal of the assessment ratio provision. The Commission feels that this practice has outlived its usefulness and serves only to confuse taxpayers and reduce protests of valuations.

RECOMMENDATIONS

The Commission makes the following recommendations to the General Assembly of 1973:

- (1) That the proposed revisions of exemption and classification statutes comprising Part II of this Report be enacted into law.
- (2) That any property owner claiming tax immunity for his property be required to support that claim by filing an annual application for exemption or exclusion with local taxing units. (Legislation on this subject is proposed in Part II of this Report.)
- (3) That local governing officials require much stronger administration of exemption statutes. The Commission believes that much property is now being exempted which is not entitled to exemption under the statutes. Each county tax supervisor should be required to file a report with the State Board of Assessment showing the ownership, value and use of all property being exempted from taxation. A copy of this report should also be made available to property owners in the county on request. (Legislation on this subject is proposed in Part II of this Report.)
- (4) That the General Assembly of 1973 adopt a statement of public policy which will serve as a standard for it and future sessions of the General Assembly regarding property tax exemptions and classifications.

The policy should require that requests for exemption be supported by a clear demonstration that the exemption will provide genuine benefit to a significant segment of the people of the State. The benefits should be substantially greater than the revenue loss to the taxing units by virtue of the enactment of the exemption. Uniform and consistent treatment of owners of similar property ought to be of paramount importance. No property owner should be afforded exemption for his property unless all other owners of property serving the same purpose enjoy the same benefit. Property tax exemptions should receive the same careful consideration given to exemptions from State imposed taxes.

- (5) That exemption and classification statutes be carefully reviewed at regular and frequent intervals to insure that their continuance is in the public interest and in harmony with other public policies and goals of the State. (Legislation on the subjects dealt with in this and the preceding paragraph is proposed in Part II of this Report.)
- (6) That the work performed by this Commission as an outgrowth and continuation of the work begun by the 1969 Commission for the Study of the Local and Ad Valorem Tax Structure of North Carolina be continued by the 1973 General Assembly and be expanded to provide a comprehensive review of the State's property tax

system and to determine its proper role in the State's total tax program.

PART II.

DRAFTS OF BILLS TO IMPLEMENT THE COMMISSION'S RECOMMENDATIONS
FOR REVISIONS AND DELETIONS OF EXEMPTIONS AND CLASSIFICATIONS

- A. To revise the statutes providing for property tax classifications and exemptions and to repeal the authority to use assessment ratios in the taxation of property. Page 2.
- B. To provide for the taxation of the personal property of State and national banks. Page 23.
- C. To provide for the taxation of the real and personal property of hospital, medical, and dental service corporations. Page 24.
- D. To clarify the authority of the State to make payments in lieu of taxes on certain timberlands. Page 25.
- E. To clarify and expand the grant of tax relief for the residential property of elderly persons with limited incomes. Page 26.
- F. Establishing legislative policy concerning the classification and exemption of property for tax purposes. Page 30.
- G. Creating a Commission for the Study of the Property Tax . . Page 32.

BILL A.

A BILL TO BE ENTITLED AN ACT TO REVISE THE STATUTES PROVIDING FOR PROPERTY TAX CLASSIFICATIONS AND EXEMPTIONS AND TO REPEAL THE AUTHORITY TO USE ASSESSMENT RATIOS IN THE TAXATION OF PROPERTY.

The General Assembly of North Carolina enacts:

Section 1. G. S. 105-275 is rewritten to read as follows:

§ 105-275. *Property classified and excluded from the tax base. --*

The following classes of property are hereby designated special classes under authority of Article V, Sec. 2(2), of the North Carolina Constitution and shall not be listed, appraised, assessed, or taxed:

(1) Tangible personal property stored in this State for shipment through a North Carolina seaport terminal to a foreign country -- for one tax year as prescribed herein. An owner of property stored in this State who, as of the tax listing date in any year, expects to ship that property to a foreign country through a North Carolina seaport terminal before January 1 of the following year, shall list such property as required by law. At the time of listing it, he shall describe the property on the abstract in such a way that it may be identified and distinguished from other property of the owner, and as part of the description the owner shall write or stamp the following statement on the abstract: "The owner expects to ship this property to a foreign country through a North Carolina seaport terminal before January 1 of next year." Property so listed and earmarked shall be appraised, assessed, and taxed; but if the property is shipped as expected, the governing body of the taxing unit shall release the claim for taxes and, if the taxes have been paid, refund them to the person who paid them. Before ordering

such a release, however, the governing body shall require the property owner to furnish it with a copy of the bill of lading for the qualifying shipment, adequately identifying the property as that which was listed by the owner. (The purpose of this classification is to encourage the development of the ports of this State.)

(2) Tangible personal property that has been imported from a foreign country through a North Carolina seaport terminal and which is stored at such a terminal while awaiting further shipment -- for the first twelve months of such storage. (The purpose of this classification is to encourage the development of the ports of this State.)

(3) Real and personal property owned by nonprofit water or nonprofit sewer associations or corporations.

(4) For the year following that in which grown, farm products (including crops but excluding poultry and other livestock) that:

- a. are in an unmanufactured state and
- b. are owned by the original producer.

(5) Vehicles that the United States government gives to veterans on account of disabilities they suffered in World War II, the Korean Conflict, or the Viet Nam Era so long as they are owned by:

- a. a person to whom a vehicle has been given by the United States government or
- b. another person who is entitled to receive such a gift under title 38, section 252, United States Code Annotated.

(6) Real and personal property that is:

- a. owned by a nonprofit corporation formed under the

provisions of Chapter 55A of the General Statutes and

b. appropriated exclusively for public parks and drives.

Sec. 2. G. S. 105-277 is rewritten to read as follows:

§ 105-277. *Property classified for taxation at reduced rates.* -- (a) Agricultural Products in Storage. Any agricultural product held in storage in North Carolina by any manufacturer or processor for manufacturing or processing, which product is of such nature as customarily to require storage and processing for periods of more than one year in order to age or condition the product for manufacture, is hereby designated a special class of property under authority of Article V, Sec. 2(2), of the North Carolina Constitution. Agricultural products so classified shall be taxed uniformly as a class in each local taxing unit at sixty percent (60%) of the rate levied for all purposes upon real property and other tangible personal property by the taxing unit in which the products are listed for taxation.

(b) Peanuts. Peanuts held in storage in North Carolina in the year following the year in which grown are hereby designated a special class of property under authority of Article V, Sec. 2(2), of the North Carolina Constitution. Peanuts so classified shall be taxed uniformly as a class in each local taxing unit at twenty percent (20%) of the rate levied for all purposes upon real property and other tangible personal property by the taxing unit in which the peanuts are listed for taxation.

(c) Baled Cotton. Cotton in bales held in North Carolina for manufacturing or processing in this State is hereby designated a special class of property under authority of Article V, Sec. 2(2), of the North Carolina Constitution. Baled cotton so classified

shall be taxed uniformly as a class in each local taxing unit at fifty percent (50%) of the rate levied for all purposes upon real property and other tangible personal property by the taxing unit in which the cotton is listed for taxation.

Sec. 3. A new section to read as follows is inserted immediately following G. S. 105-277:

Property classified for taxation at reduced valuation. -- Farm products (including crops but excluding poultry and other livestock) held by or for a cooperative stabilization or marketing association or corporation to which they have been delivered, conveyed, or assigned for the purpose of sale are hereby designated a special class of property under authority of Article V, Sec. 2(2), of the North Carolina Constitution. Before being assessed for taxation, the appraised valuation of farm products so classified shall be reduced by the amount of any unpaid loan or advance made or granted thereon by the United States government, an agency of the United States government, or a cooperative stabilization or marketing association or corporation.

Sec. 4. G. S. 105-278 and G. S. 105-280 are repealed, and the nine sections set out herein are substituted for them:

§ 105-278. *Exemption of real and personal property owned by units of government.* -- (a) Real and personal property owned by the United States and, by virtue of federal law, not subject to state and local taxes shall be exempted from taxation.

(b) Real and personal property owned by any of the following units of government shall be exempted from taxation if it is used wholly and exclusively for public purposes:

(1) the State of North Carolina,

- (2) a county of this State,
 - (3) a city or town of this State,
 - (4) a special district or other unit of local government of this State, or
 - (5) two or more units of local government of this State.
- (c) For purposes of this section:
- (1) A specified unit of government (federal, State, or local) includes its departments, institutions, and agencies.
 - (2) By way of illustration but not by way of limitation, the following boards, commissions, authorities, and institutions are units of State government:
 - a. The State Marketing Authority established by § 106-529.
 - b. The Board of Governors of the University of North Carolina incorporated under the provisions of § 116-3 and known as "the University of North Carolina."
 - c. The North Carolina Museum of Art made an agency of the State under § 140-1.
 - (3) By way of illustration but not by way of limitation, the following boards, commissions, authorities, and institutions are units of local government of this State:
 - a. An airport authority, board, or commission created as a separate and independent body corporate and politic by an act of the General Assembly.

- b. An airport authority, board, or commission created as a separate and independent body corporate and politic by one or more counties or municipalities or combinations thereof under the authority of an act of the General Assembly.
- c. A hospital authority created under § 131-93.
- d. A housing authority created under § 157-4 or § 157-4.1.
- e. A municipal parking authority created under § 160-477.
- f. A veterans' recreation authority created under § 165-26.

§ 105-278.1. *Burial property.* -- Real property set apart for burial purposes shall be exempted from taxation unless it is owned and held for purposes of (a) sale or rental or (b) sale of burial rights therein. For purposes of this section, the term "real property" includes land, tombs, vaults, mausoleums, monuments, and similar structures.

§ 105-278.2. *Real and personal property used for religious purposes.* -- (a) Buildings, the land they actually occupy, and additional adjacent land reasonably necessary for the convenient use of any such building shall be exempted from taxation if wholly owned by an agency listed in subsection (c), below, and if:

- (1) wholly and exclusively used by its owner for religious purposes as defined in subsection (d)(1), below; or
- (2) occupied gratuitously by one other than the owner and wholly and exclusively used by the occupant for

religious, charitable, or nonprofit educational, literary, scientific, or cultural purposes.

(b) Personal property shall be exempted from taxation if wholly owned by an agency listed in subsection (c), below, and if:

- (1) wholly and exclusively used by its owner for religious purposes; or
- (2) gratuitously made available to one other than the owner and wholly and exclusively used by the possessor for religious, charitable, or nonprofit educational, literary, scientific, or cultural purposes.

(c) The following agencies, when the other requirements of this section are met, may obtain exemption for their properties:

- (1) a congregation, parish, mission, or similar local unit of a church or religious body or
- (2) a conference, association, presbytery, diocese, district, synod, or similar unit comprising local units of a church or religious body.

(d) Within the meaning of this section:

- (1) A religious purpose is one that pertains to practicing, teaching, and setting forth a religion. Although worship is the most common religious purpose, the term encompasses other activities that demonstrate and further the beliefs and objectives of a given church or religious body. Within the meaning of this section, the ownership and maintenance of a general or promotional office or headquarters by an owner listed in subdivision (2) of subsection (c),

above, is a religious purpose, and the ownership and maintenance of one residence for a minister assigned to or serving a congregation, parish, mission, or similar local unit is also a religious purpose. However, the ownership and maintenance of residences for other ministers and employees is not a religious purpose for either a local unit of a church or a religious body or a conference, association, presbytery, diocese, district, synod, or similar unit of a church or religious body.

- (2) A charitable purpose is one that has humane and philanthropic objectives; it is an activity that benefits humanity or a significant rather than limited segment of the community without expectation of pecuniary profit or reward. The humane treatment of animals is also a charitable purpose.
- (3) An educational purpose is one that has as its objective the education or instruction of human beings; it comprehends the transmission of information and the training or development of the knowledge or skills of individual persons.
- (4) A literary purpose is one that pertains to letters or literature (including drama), especially writing, publishing, and the study of literature.
- (5) A cultural purpose is one that is conducive to the enlightenment and refinement of taste acquired through intellectual and aesthetic training, education, and discipline.
- (6) A scientific purpose is one that yields knowledge systematically through research, experimentation or other work done in one or more of the natural sciences.

(e) Notwithstanding the exclusive use requirement of subsection (a),

above, if part of a property that otherwise meets that subsection's requirements is used for a purpose that would require exemption if the entire property were so used, the valuation of the part so used shall be exempted from taxation.

§ 105-278.3. *Real and personal property used for educational purposes.* -- (a) Buildings, the land they actually occupy, and additional land reasonably necessary for the convenient use of any such building shall be exempted from taxation if:

- (1) owned by an educational institution (including a university, college, school, seminary, academy, industrial school, public library, museum, and similar institution);
- (2) the owner is not organized or operated for profit and no officer, shareholder, member, or employee of the owner or any other person is entitled to receive pecuniary profit from the owner's operations except reasonable compensation for services;
- (3) of a kind commonly employed in the performance of those activities naturally and properly incident to the operation of an educational institution such as the owner; and
- (4) wholly and exclusively used for educational purposes by the owner or occupied gratuitously by another nonprofit educational institution (as defined herein) and wholly and exclusively used by the occupant for nonprofit educational purposes.

(b) Land (exclusive of improvements); and improvements other than buildings, the land actually occupied by such improvements, and additional land reasonably necessary for the convenient use of any

such improvement shall be exempted from taxation if:

- (1) owned by an educational institution that owns real property entitled to exemption under the provisions of subsection (a), above;
- (2) of a kind commonly employed in the performance of those activities naturally and properly incident to the operation of an educational institution such as the owner; and
- (3) wholly and exclusively used for educational purposes by the owner or occupied gratuitously by another nonprofit educational institution (as defined herein) and wholly and exclusively used by the occupant for nonprofit educational purposes.

(c) Notwithstanding the exclusive use requirements of subsections (a) and (b), above, if part of a property that otherwise meets the requirements of one of those subsections is used for a purpose that would require exemption if the entire property were so used, the valuation of the part so used shall be exempted from taxation.

(d) Personal property owned by a church, a religious body, or an educational institution (including a university, college, school, seminary, academy, industrial school, public library, museum, and similar institution) shall be exempted from taxation if:

- (1) the owner is not organized or operated for profit, and no officer, shareholder, member, or employee of the owner, or any other person is entitled to receive pecuniary profit from the owner's operations except reasonable compensation for services; and

- (2) used wholly and exclusively for educational purposes by the owner or held gratuitously by a church, religious body, or nonprofit educational institution (as defined herein) other than the owner, and wholly and exclusively used for nonprofit educational purposes by the possessor.

(e) An educational purpose within the meaning of this section is one that has as its objective the education or instruction of human beings; it comprehends the transmission of information and the training or development of the knowledge or skills of individual persons.

§ 105-278.4. *Real and personal property of religious educational assemblies used for religious and educational purposes.* -- (a) Buildings, the land they actually occupy, and additional adjacent land reasonably necessary for the convenient use of any such building or for the religious educational programs of the owner, shall be exempted from taxation if:

- (1) owned by a religious educational assembly, retreat, or similar organization;
- (2) no officer, shareholder, member, or employee of the owner, or any other person is entitled to receive pecuniary profit from the owner's operations except reasonable compensation for services; and
- (3) wholly and exclusively used for
 - a. religious worship or
 - b. purposes of instruction in religious education.

(b) Notwithstanding the exclusive use requirement of subsection (a), above, if part of a property that otherwise meets

the subsection's requirements is used for a purpose that would require exemption if the entire property were so used, the valuation of the part so used shall be exempted from taxation.

(c) Personal property owned by a religious educational assembly, retreat, or similar organization shall be exempted from taxation if it is exclusively maintained and used in connection with real property granted exemption under the provisions of subsection (a) or (b), above.

§ 105-278.5. *Real and personal property used for charitable purposes.* -- (a) Real and personal property owned by:

- (1) a Young Men's Christian Association or similar organization;
- (2) a home for the aged, sick, or infirm;
- (3) an orphanage or similar home;
- (4) a Society for the Prevention of Cruelty to Animals;
- (5) a reformatory or correctional institution; or
- (6) a monastery, convent, or nunnery;

shall be exempted from taxation if:

- (1) as to real property, it is actually and exclusively occupied and used, and as to personal property, it is entirely and completely used, by the owner for charitable purposes; and
- (2) the owner is not organized or operated for profit.

(b) A charitable purpose within the meaning of this section is one that has humane and philanthropic objectives; it is an activity that benefits humanity or a significant rather than limited segment of the community without expectation of pecuniary profit or reward. The humane treatment of animals is also a charitable purpose.

(c) Notwithstanding the exclusive use requirements of this section, if part of a property that otherwise meets the section's requirements is used for a purpose that would require exemption under subsection (a), above, if the entire property were so used, the valuation of the part so used shall be exempted from taxation.

§ 105-278.6. *Real and personal property used for educational, scientific, literary, or charitable purposes.* -- (a) Buildings, the land they actually occupy, and additional adjacent land necessary for the convenient use of any such building shall be exempted from taxation if wholly owned by an agency listed in subsection (c), below, and if:

- (1) wholly and exclusively used by its owner for nonprofit educational, scientific, literary, or charitable purposes as defined in subsection (e), below; or
- (2) occupied gratuitously by an agency listed in subsection (c), below, other than the owner, and wholly and exclusively used by the occupant for nonprofit educational, scientific, literary, or charitable purposes.

(b) Personal property shall be exempted from taxation if wholly owned by an agency listed in subsection (c), below, and if:

- (1) wholly and exclusively used by its owner for nonprofit educational¹, scientific, literary, or charitable purposes; or
- (2) gratuitously made available to an agency listed in subsection (c), below, other than the owner, and wholly and exclusively used by the possessor for

nonprofit educational, scientific, literary, or charitable purposes.

(c) The following agencies, when the other requirements of this section are met, may obtain property tax exemption under this section:

- (1) a charitable association or institution,
- (2) an historical association or institution,
- (3) a veterans' organization or association,
- (4) a scientific association or institution,
- (5) a literary association or institution, or
- (6) a benevolent association or institution.

(d) Notwithstanding the exclusive use requirements of subsection (a), above, if part of a property that otherwise meets the subsection's requirements is used for a purpose that would require exemption if the entire property were so used, the valuation of the part so used shall be exempted from taxation.

(e) Within the meaning of this section:

- (1) An educational purpose is one that has as its objective the education or instruction of human beings; it comprehends the transmission of information and the training or development of the knowledge or skills of individual persons.
- (2) A scientific purpose is one that yields knowledge systematically through research, experimentation, or other work done in one or more of the natural sciences.
- (3) A literary purpose is one that pertains to letters or literature (including drama), especially writing, publishing, and the study of literature.

- (4) A charitable purpose is one that has humane and philanthropic objectives; it is an activity that benefits humanity or a significant rather than limited segment of the community without expectation of pecuniary profit or reward. The humane treatment of animals is also a charitable purpose.

§ 105-278.7. *Real and personal property used for charitable hospital purposes.* -- (a) Real and personal property held for or owned by a hospital organized and operated as a nonstock, nonprofit, charitable institution (without profit to members or their successors) shall be exempted from taxation if actually and exclusively used for charitable hospital purposes.

(b) Notwithstanding the exclusive use requirements of subsection (a), above, if part of a property that otherwise meets that subsection's requirements is used for a purpose that would require exemption under that subsection if the entire property were so used, the valuation of the part so used shall be exempted from taxation.

(c) Within the meaning of this section, a charitable hospital purpose is a hospital purpose that has humane and philanthropic objectives; it is a hospital activity that benefits humanity or a significant rather than limited segment of the community without expectation of pecuniary profit or reward. However, the fact that a qualifying hospital charges patients who are able to pay for services rendered does not defeat the exemption granted by this section.

§ 105-278.8. *General exemption for individually owned personal property.* -- When tangible personal property is listed for taxation

by an individual person whose duty it is to list it, the total appraised valuation of that property shall be reduced by the sum of three hundred dollars (\$300.00) before it is assessed and taxed.

Sec. 5. Subdivision (a)(1) of G. S. 105-317, as it appears in 1972 Replacement Volume 2D of the General Statutes of North Carolina, is rewritten to read as follows:

- (1) In determining the true value of land, to consider as to each tract, parcel, or lot separately listed at least its advantages and disadvantages as to location; zoning; quality of soil; quantity and quality of timber; water power; water privileges; mineral, quarry, or other valuable deposits; fertility; adaptability for agricultural, commercial, industrial, or other uses; past income; probable future income; and any other factors that may affect its value except growing crops of a seasonal or annual nature.

Sec. 6. G. S. 131-110 is rewritten to read as follows:

§ 131-110. *Tax exemptions.* -- The authority shall be exempt from the payment of any taxes or fees to the State or any subdivision thereof, or to any officer or employee of the State or any subdivision thereof. The property of an authority used for public purposes shall be exempt from all local and municipal taxes and for the purposes of such tax exemption, it is hereby declared as a matter of legislative determination that an authority is and shall be deemed to be a municipal corporation. Bonds, notes, debentures and other evidences of indebtedness of an authority are declared to be issued for a public purpose and to be public instrumentalities and, together with interest

thereon, shall be exempt from taxes when same are held by the federal government or by any purchaser from the federal government or anyone acquiring title from or through such purchaser.

Sec. 7. G. S. 157-26 is rewritten to read as follows:

§ 157-26. *Tax exemptions.* -- The authority shall be exempt from the payment of any taxes or fees to the State or any subdivision thereof, or to any officer or employee of the State or any subdivision thereof. The property of an authority used for public purposes shall be exempt from all local and municipal taxes and for the purposes of such tax exemption, it is hereby declared as a matter of legislative determination that an authority is and shall be deemed to be a municipal corporation. Bonds, notes, debentures and other evidences of indebtedness of an authority heretofore or hereafter issued are declared to be issued for a public purpose and to be public instrumentalities and, together with the interest thereon, shall be exempt from taxes.

Sec. 8. G. S. 105-282 is rewritten to read as follows:

§ 105-282. *Requests for tax relief; burden of proof; records of property given relief.* -- (a) An owner of property who seeks to obtain tax relief for his property (through exemption or classification) under the laws of this State has the burden of establishing that the property is entitled thereto. In 1974, and each year thereafter, during the regular listing period, the owner seeking such relief shall file a request therefor with the tax supervisor of the county in which the property, real or personal, would be subject to taxation if taxable. If the property is situated within a city or town and the owner desires relief from municipal taxation, he shall also file a request for tax relief with the person responsible for municipal tax listing. Each such request

shall be submitted on a form that has been approved by the State Board of Assessment, and such forms shall be made available to owners by the tax supervisor or appropriate municipal tax official. If such a request is denied by a county, the tax supervisor shall notify the owner of this decision in time for him to appeal to the county board of equalization and review and to the State Board of Assessment as provided in §§ 105-322 and -324. If such a request is denied by a city or town, the person responsible for preparing the municipal tax lists shall notify the owner of this decision in time for him to appeal to the governing body of the city or town and to the State Board of Assessment in accordance with the provisions of § 105-326 or § 105-328. Requests that are approved by a county shall be filed in the office of the county tax supervisor, and requests that are approved by a municipality shall be filed in the office designated by the unit's governing body. The United States, this State, and units of local government in this State are exempted from the requirement of this section that owners make formal request for tax relief. However, this exemption shall not be construed as relieving the State and local units of government from the duty of listing for taxation property that is not used for public purposes.

(b) Failure to Request Tax Relief. If in any year an owner fails to submit a request for tax relief for his property as provided in subsection (a), above, he shall be deemed to have waived the right to such relief for the year in which he failed to file the request. Such a waiver shall not affect the owner's right to proceed under the provisions of subsection (a), above, in a subsequent year.

(c) Roster. The county tax supervisor shall prepare and maintain a roster of all property in the county that is granted tax relief through classification or exemption. As to affected real and personal property, the roster shall set forth:

- (1) The name of the owner of the property.
- (2) A brief description of the property.
- (3) A statement of the use to which the property is put.
- (4) A statement of the value of the property.

The person responsible for preparing the tax lists of a city or town shall prepare and maintain a similar roster of all property in the municipality that is granted tax relief through classification or exemption.

(d) Report. The person required to prepare and maintain any roster prescribed by subsection (c), above, for the year 1974 shall, on or before November 1, 1974, send a duplicate copy thereof to the State Board of Assessment and file the original in his office. In subsequent years, on or before November 1, the responsible official shall forward to the State Board of Assessment a report of all changes made in the roster first submitted under this subsection.

Sec. 9. The fifth sentence of G. S. 55A-16, as it appears in lines 18 and 19 of the section in 1965 Replacement Volume 2B of the General Statutes of North Carolina, and which reads as follows, is repealed: "All property owned by it and appropriated exclusively for public parks and drives shall not be subject to taxation."

Sec. 10. The following portions of the General Statutes of North Carolina are repealed: G. S. 63-51.1, G. S. 63-52, G. S. 105-281, and paragraph g of subdivision (b)(2) of G. S. 105-287.

Sec. 11. G. S. 105-283 is rewritten to read as follows:

§ 105-283. *Uniform appraisal standards.* -- All property, real and personal, shall as far as practicable be appraised or valued at its true value in money. When used in this Subchapter, the words "true value" shall be interpreted as meaning market value, that is, the price estimated in terms of money at which the property would change hands between a willing and financially able buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of all the uses to which the property is adapted and for which it is capable of being used.

Sec. 12. G. S. 105-284 is rewritten to read as follows: .

§ 105-284. *Uniform assessment standard.* -- All property, real and personal, shall be assessed for taxation at the valuation established under G. S. 105-283, and taxes levied by all counties and municipalities shall be levied uniformly on assessments determined as provided in this section.

Sec. 13. Subsection (a) of G. S. 105-328 is rewritten to read as follows:

(a) For purposes of municipal taxation, all property subject to taxation by a city or town situated in two or more counties may, by resolution of the governing body of the municipality, be listed, appraised, and assessed as provided in G. S. 105-326 and 105-327 if, in such a case, in the opinion of the governing body, the same appraisal and assessment standards will thereby apply uniformly throughout the municipality. However, if, in such a case, the governing body shall determine that adoption of the appraisals and assessments fixed by the counties will not result in uniform appraisals and assessments throughout the municipality,

the governing body may, by horizontal adjustments, equalize the appraisal and assessment values fixed by the counties in order to obtain the required uniformity. Taxes levied by the city or town shall be levied uniformly on the assessments so determined.

Sec. 14. Subdivision (3) of G. S. 105-273 is rewritten to read as follows:

(3) "Assessment" means both the tax value of property and the process by which the assessment is determined.

Sec. 15. Subdivision (4) of G. S. 105-273 is repealed and the remaining subdivisions of that section are renumbered accordingly.

Sec. 16. This act shall become effective on January 1, 1974.

BILL B.

A BILL TO BE ENTITLED AN ACT TO PROVIDE FOR THE TAXATION OF THE PERSONAL PROPERTY OF STATE AND NATIONAL BANKS.

The General Assembly of North Carolina enacts:

Section 1. G.S. 105-228.13 is rewritten to read as follows:

§ 105-228.13. *Method of taxation adopted.* -- The State of North Carolina hereby adopts the method of taxation of banks authorized by an Act of Congress relating to taxation of national banks, being method number (4) as provided in § 548, as amended, of Title 12 of the Code of Laws of the United States, formerly known as § 5219, of the Revised Statutes of the United States.

The excise tax levied under G. S. 105-228.12 shall be in lieu of the franchise tax imposed by Article 3 of this Chapter and the income tax levied by Article 4 of this Chapter.

It is the purpose and intent of the General Assembly to levy taxes on banks so that all banks, both State and national, doing business in this State will be taxed uniformly in a just and equitable manner in accordance with the provisions of § 548 of Title 12 of the Code of the United States cited above and Article V, §2(2), of the Constitution of North Carolina. The intent in this Article is to exercise the powers of classification and of taxation on franchises and trades conferred by the above constitutional provision cited in this section.

Sec. 2. This act shall become effective on January 1, 1974.

BILL C.

A BILL TO BE ENTITLED AN ACT TO PROVIDE FOR THE TAXATION OF THE REAL AND PERSONAL PROPERTY OF HOSPITAL, MEDICAL, AND DENTAL SERVICE CORPORATIONS.

The General Assembly of North Carolina enacts:

Section 1. G. S. 57-14 is rewritten to read as follows:

§ 57-14. *Taxation.* -- For the purpose of raising revenues sufficient to defray the expenses of the administration of this chapter, and in lieu of all other State-levied taxes, an annual franchise or privilege tax is hereby levied upon every corporation subject to the provisions of this chapter at the rate of one third of one per cent of the gross annual collections from membership dues exclusive of receipts from cost plus plans. The real and personal property of such corporations is taxable under the provisions of Subchapter II of Chapter 105 of the General Statutes. The General Assembly of North Carolina does hereby appropriate the sum of four thousand dollars (\$4,000.00) annually from its general funds to be paid over to the Department of Insurance of this State for its use in the discharge of the duties by this chapter imposed upon the Commissioner of Insurance of this State.

Sec. 2. This act shall become effective on January 1, 1974.

BILL D.

A BILL TO BE ENTITLED AN ACT TO CLARIFY THE AUTHORITY OF THE STATE TO MAKE PAYMENTS IN LIEU OF TAXES ON CERTAIN TIMBERLANDS.

The General Assembly of North Carolina enacts:

Section 1. G. S. 105-279 is rewritten to read as follows:

§ 105-279. *Timberlands owned by the State; payments in lieu of taxes.* -- (a) Any State department or agency that owns timberlands or that leases, controls, or administers State-owned timberlands, shall annually pay to each county in which the timberlands are situated an amount equal to fifteen percent (15%) of the proceeds of the gross sales of trees, timber, pulpwood, and other forest products from the timberlands in the county during the calendar year. When received, such payments in lieu of taxes shall be deposited in the county's general fund.

(b) The provisions of subsection (a), above, shall not apply to the proceeds of the sale of forest products directly paid to or received by the State Board of Education, any State educational institution, the Department of Mental Health, or the North Carolina Department of Agriculture from its research stations and experimental farmlands.

Sec. 2. This act shall become effective on July 1, 1973.

BILL E

A BILL TO BE ENTITLED AN ACT TO CLARIFY AND EXPAND THE GRANT OF TAX RELIEF FOR THE RESIDENTIAL PROPERTY OF ELDERLY PERSONS WITH LIMITED INCOMES.

The General Assembly of North Carolina enacts:

Section 1. G.S. 105-277.1 is rewritten to read as follows:

§ 105-277.1. *Property classified for taxation at reduced valuation.* -- (a) Classes. The following classes of property are hereby designated special classes under authority of Article V, Sec. 2(2), of the North Carolina Constitution and, after being listed and appraised, shall not be assessed or taxed:

(1) The first \$3,500 in appraised value of property held and used as the place of residence of the owner if, as of January 1 of the year in which benefit of this classification is sought, the owner is 65 years of age or older and his disposable income during the preceding calendar year was not more than \$5,000.

(2) The first \$4,000 in appraised value of property held and used as the place of residence of the owner if, as of January 1 of the year in which benefit of this classification is sought, the owner is 65 years of age or older and his disposable income during the preceding calendar year was not more than \$4,500.

(3) The first \$4,500 in appraised value of property held and used as the place of residence of the owner if, as of January 1 of the year in which benefit of this classification is sought, the owner is 65 years of age or older and his disposable income during the preceding calendar year was not more than \$4,000.

(4) The first \$5,000 in appraised value of property held and used as the place of residence of the owner if, as of January 1 of

the year in which benefit of this classification is sought, the owner is 65 years of age or older and his disposable income during the preceding calendar year was not more than \$3,500.

(b) Definitions. For purposes of the four classes defined in subsection (a), above:

(1) A person is an "owner" of real property when he holds legal or equitable title to a life estate, an estate for the life of another, a joint tenancy, or a tenancy in common, or when he holds individually or as a tenant by the entirety, the entire legal or equitable title, subject to easements, removable liens, and other similar encumbrances, if any. A person is an "owner" of personal property when he holds legal or equitable title thereto alone or jointly with one or more other persons, subject to removable liens and other similar encumbrances, if any. When property that qualifies for any one of the classes defined in subsection (a), above, is owned by two or more persons, each owner whose interest falls within such a class shall be entitled to apply the full amount of the exclusion afforded the class against the appraised valuation of his interest, but no part of an exclusion available to one co-owner shall be applied to the interests of other owners of the same property.

(2) The "place of residence" of an owner is either:

- a. the place (tract or lot of land and house, apartment, mobile home, house trailer, or comparable habitation) at which he resides on January 1 of the year for which he seeks the benefit of one of the classes defined in subsection (a), above. (For purposes of these classifications, the residence of

a person who has two or more places at which he sometimes dwells shall be the place at which he dwelt for the longest period of time during the year preceding January 1 of the year for which he seeks the benefit of one of the classes defined in this section.); or

- b. the place at which he would have resided on January 1 of the year for which he seeks the benefit of one of the classes defined in subsection (a), above, had he not, for reasons of health or self-preservation, resided in a nursing home, home for the aged, hospital, mental institution, or similar place.

(3) "Disposable income" means adjusted gross income as defined for North Carolina Income Tax purposes in G. S. 105-141.3 plus all moneys received that are not required to be reported under the State income tax statutes.

(c) Application. To bring his property within one of the classes defined in subsection (a), above, in any year, the taxpayer shall, not later than April 30, make written application to the tax supervisor of the county in which his place of residence is located. Each application shall be submitted in the form of an affidavit approved by the State Board of Assessment. On such a form, the taxpayer shall identify himself, state his age, identify the property that qualifies for classification, and state the amount of his disposable income during the year preceding January 1 of the year in which he seeks the benefit of one of the classifications established by this section. A request for such classification must be made each year within the time prescribed herein by the taxpayer

himself or by a person qualified by law to list the taxpayer's property.

(d) Multiple owners. If two or more persons share ownership of property that qualifies for any one of the classes defined in subsection (a), above, each shall make application as prescribed in subsection (c), above.

Sec. 2. This act shall become effective on January 1, 1974.

BILL F.

A JOINT RESOLUTION ESTABLISHING LEGISLATIVE POLICY CONCERNING THE
CLASSIFICATION AND EXEMPTION OF PROPERTY FOR TAX PURPOSES.

Whereas, the power of granting exemption from property taxation and the power of classifying property for preferential tax treatment or exclusion from the tax base are vested in the General Assembly by the Constitution of North Carolina; and

Whereas, the cumulative effect of the exercise of these powers may distort the property tax burden, erode the tax base, and accord unfair and unequal treatment to property taxpayers; and

Whereas, Resolution 111 of the 1971 General Assembly created a Commission for the Study of Property Tax Exemptions and Classifications and charged it with recommending to the 1973 General Assembly a statement of policy to guide the legislature in the future exercise of its exemption and preferential classification powers; and

Whereas, the Commission for the Study of Property Tax Exemptions and Classifications has recommended such a statement of policy:

Now, therefore, be it resolved by the Senate, the House of Representatives concurring:

Section 1. In taxing property, it is the policy of this State that all property bear its fair share of the tax burden measured by the true value of the property. In the exercise of its constitutional power to classify property for taxation and in the exercise of its constitutional power to exempt property from taxation, the General Assembly acknowledges that full taxation should be the rule and that total or partial immunity from taxation should be the exception. In granting total or partial immunity from property taxation, the legislature should be satisfied that

substantial benefit will inure to the people of the State as a whole, not merely to some locality or segment of the population; that similar properties and property owners will be accorded uniform and consistent treatment; and that the benefits from immunity or partial immunity will be substantially greater than the revenue loss to the taxing units occasioned thereby.

Sec. 2. At regular and frequent intervals the General Assembly, through special committees or commissions, should review and evaluate the usefulness, suitability, and constitutional validity of existing property tax exemptions, exclusions, and preferential classifications. Immunities found not to be in harmony with the standards established in Section 1 of this resolution should be repealed.

Sec. 3. This resolution shall be effective upon its adoption.

BILL G.

A JOINT RESOLUTION CREATING A COMMISSION FOR THE STUDY OF THE PROPERTY TAX.

Be it resolved by the Senate, the House of Representatives concurring:

Section 1. There is hereby created the Commission for the Study of the Property Tax to be composed of nine members, three to be appointed by the Governor, three to be appointed by the President of the Senate, and three to be appointed by the Speaker of the House of Representatives. All appointments shall be made in time for the Commission to begin its work by October 1, 1973.

Sec. 2. It shall be the duty of the Commission to make a comprehensive study of the property tax system in North Carolina, including the statutes that provide for the tax and the manner in which those statutes are administered. On the basis of this study, the Commission shall define the role for the property tax in this State and make recommendations for its use and administration.

Sec. 3. Upon its appointment, the Commission shall organize by electing from its membership a chairman and a vice chairman. The Administrative Officer of the State Board of Assessment shall serve as secretary of the Commission, but shall not be a member. The Commission is authorized, with the approval of the Governor, to employ such clerical and other assistants, professional advice, and services as may be deemed necessary in the performance of its duties.

Sec. 4. The members of the Commission shall be paid such per diem and travel expenses as are provided for members of State boards and commissions generally. The expenses of the Commission shall be paid from the Contingency and Emergency Fund.

Sec. 5. The State Board of Assessment, the Commissioner of Revenue, the Director of Tax Research, and all local tax officials shall make themselves and their staffs available to the Commission.

Sec. 6. The Commission shall submit its report by December 1, 1974, to the Governor for transmittal to the 1975 General Assembly.

Sec. 7. This resolution shall become effective upon its adoption.

PART III,

LIST OF STATUTES RECOMMENDED FOR RETENTION WITHOUT AMENDMENT

STATUTES REVIEWED AND RECOMMENDED FOR RETENTION

The following statutes were studied by the Commission and, for the reasons noted in the footnotes, the Commission recommends that they be retained without amendment:

G. S. 105-228.1 and -228.2. Gross earnings tax upon freight car line companies in lieu of property tax.*

G. S. 105-228.22 through -228.25. Taxation of certain intangible properties owned by savings and loan associations.*

G. S. 105-249.3. Exemption of pensions and compensation of veterans of the armed forces of the United States.*

G. S. 105-285(c). Treatment of exempt property that loses its exempt status between tax day (January 1) and the first day of the following fiscal year (July 1).**

G. S. 106-534. Exemption of property of the State Marketing Authority.#

G. S. 116-19. Exemption of property of the University of North Carolina.#

G. S. 116A-1 through -7. Exemption of escheats.#

G. S. 117-33. Exemption of property of telephone membership corporations.##

G. S. 140-5. Exemption of gifts to the North Carolina Museum of Art.+

G. S. 140-15. Exemption of objects of art held by the North Carolina State Art Society.+

G. S. 143-202. Exemption of property of the Roanoke Island Historical Association.+

G. S. 160-491. Exemption of property of municipal parking authority.+

G. S. 160-505. Exemption of municipal off-street parking facilities.++

G. S. 165-33. Exemption of property of veterans' recreation authority.+

Explanatory Notes

* Recommended for retention because the subject-matter of the statute is not directly related to the local property tax base and was not given exhaustive study by this Commission.

** Recommended for retention because the statute, as redrafted by the 1971 General Assembly, is satisfactory in its present form.

Recommended for retention to allay unnecessary fears that the Commission seeks to repeal the existing exemption. The section's grant of exemption is redundant in the light of proposals being made by this Commission, but it is not inconsistent with those proposals.

Recommended for retention because the Commission supports the legislative policy stated in the statute.

+ Recommended for retention because the statute deals with matters other than property tax exemption, and although the portions of the statute that touch on property tax exemption are redundant in the light of proposals being made by this Commission, they are not inconsistent with those proposals.

++ No action is recommended on this statute because, as of July 1, 1973, it will be repealed by legislation enacted in 1971.

PART IV.

EXPLANATORY COMMENTS ON BILLS PROPOSED IN PART II
OF THIS REPORT.

- A. To revise the statutes providing for property tax classifications and exemptions and to repeal the authority to use assessment ratios in the taxation of property. Page 38.
- B. To provide for the taxation of the personal property of State and national banks. Page 85.
- C. To provide for the taxation of the real and personal property of hospital, medical, and dental service corporations. Page 86.
- D. To clarify the authority of the State to make payments in lieu of taxes on certain timberlands Page 88.
- E. To clarify and expand the grant of tax relief for the residential property of elderly persons with limited incomes. Page 91.
- F. Establishing legislative policy concerning the classification and exemption of property for tax purposes. , . . Page 94.
- G. Creating a Commission for the Study of the Property Tax . . Page 95.

BILL A.

Title: *To revise the statutes providing for property tax classifications and exemptions and to repeal the authority to use assessment ratios in the taxation of property.*

Explanatory Comments:

The proposed legislation contains seventeen sections. In these comments the substance of each section is discussed separately.

Sec. 1. § 105-275. *Property classified and excluded from the tax base.*

Sources in existing law: G.S. 105-275(1), (2), (5); -278(9); and -280(12), (13).

Proposed G.S. 105-275 combines into one section all classifications that exclude property from the tax base. The first three subdivisions are taken from existing § 105-275. The remaining subdivisions contain the substance of provisions that are now treated as exemptions but which cannot be justified as exemptions under the North Carolina Constitution. Subdivisions (3) and (4) of existing § 105-275 have been omitted from the proposed revision. A comment on these deletions appears below.

(1) Property held for export.

The new subdivision (1) redefines the class and establishes a procedure for claiming exclusion of property ultimately exported during the calendar year. The existing provision invites abuse in a number of ways. The principal requirement that property be "held or stored" for foreign shipment makes its exclusion a matter of the owner's unverifiable subjective intent. The taxpayer is encouraged to overestimate the amount of property actually destined for shipment. Furthermore, since the owner's

duty is to list only his "taxable" property, his bona fides is not put in issue unless tax officials make a discovery, and the fact that the property has not been exported is not proof of the owner's state of mind on the listing date. To facilitate administration, the new section requires property classified by subdivision (1) to be listed along with the owner's taxable property during the regular listing period. At the time he lists he may identify for separate valuation the property he intends to export before January 1. Thereafter, the property so designated is treated for appraisal, billing, and collection purposes as if taxable, except that if the property is in fact shipped in accordance with the statute's requirements, the owner is entitled, upon presentation of a bill of lading identifying the property shipped as that described on the abstract, to a release of the taxing unit's claim for taxes levied on the exported property. If the tax has already been paid when the statute's requirements are met, the person who paid the tax is entitled to a refund.

The existing § 105-275(1) seems to confine the excluded class to property held for export for a year or less on the date as of which property is listed. It is not apparent why the exclusion should be conditioned on duration of storage. If the time limitation is intended to confine the benefit of the exclusion to one tax year, the new section's requirement of proof of shipment serves that purpose adequately by eliminating the possibility of exclusion of the same property in successive years. Under the new section, the owner may hold the property indefinitely, declare his intent to export it each time he lists, and claim his exclusion in the year of actual shipment. The section thus allows the exporter flexibility in his choice of markets at no cost to the taxing unit.

The existing § 105-275(1) and (2) declare a legislative purpose to

foster the development of North Carolina ports, and entry through a North Carolina port is a prerequisite for exclusion of imports under subdivision (2). The existing subdivision (1), however, strangely omits the requirement of exportation through a North Carolina seaport terminal for the exclusion of property held for export. New § 105-275(1) makes this requirement explicit.

The term "tangible personal property" has been substituted for the existing statute's non-restrictive enumeration of types.

(2) Property held for shipment after being imported through a North Carolina seaport terminal.

Subdivision (2) restates the existing exclusion of imported property without substantive change. In the existing provision the description of the kinds of property eligible for exclusion does not appear to omit any species of tangible personalty, so the term "tangible personal property" has been used in the revised version.

Whereas the existing provision refers to property "held or stored," the revised version requires simply that the property be stored at the terminal while awaiting further shipment. The word "held" does not add anything to the concept of storage.

The existing language excepts from the excluded class otherwise eligible property that has been stored for more than twelve months on the date as of which property is listed. The revised version accomplishes the same result more simply by providing that the exclusion continue only for the first twelve months of storage. Under neither wording will property qualify for exclusion in more than one tax year.

(3) Property of non-profit water and sewer associations.

The new section retains the existing subdivision (5)'s exclusion of the property of nonprofit water and sewer associations without amendment.

(4) Farm products in the year following that in which grown.

Existing § 105-280(12) exempts farm products in the hands of the original producer for the year following that in which grown. The language of exemption is without constitutional basis. The new version preserves the tax benefit to the owners of such property by classifying it and excluding it from the tax base. In addition, the provision is amended in several respects for clarification in light of the probable legislative intent.

In the existing § 105-280(12), the illustrative reference to cotton and tobacco, together with the reference to "the year" in which farm products are grown, indicate an intention to confine the exemption to vegetable crops. Accordingly, "farm products" is restrictively defined in the new version to include crops but to exclude poultry and other livestock.

The requirement that the farm products be in an unmanufactured state is new. Since the growing season for most crops is from early spring to autumn, and since most crops are marketed shortly after harvest, crops are seldom in the hands of the original producer on January first. This section is designed to relieve the tax burden on those producers for whom special marketing conditions make it advantageous to hold crops for sale at some time after the first of the year. The objective is to equalize the tax treatment among farmers by removing the tax incentive for premature marketing of raw agricultural products when the prospect is for more propitious marketing conditions in January or February. This policy is adequately served without extending incidental benefits to owners

of property to which value has been added by processing.

(5) Veterans vehicles.

Existing § 105-280(13) exempts vehicles given by the federal government to veterans on account of disabilities suffered in the military service. As an exemption, § 105-280(13) is almost certainly unconstitutional. Although the purpose of the government in making the gift might be regarded as charitable, the purpose for which the property is held by the recipient is not charitable. In order to preserve the benefit to such veterans, the vehicles are classified in subdivision (5) and excluded from the tax base. In the revised version, the exclusion is extended to veterans of the Korean Conflict and the Viet Nam Era. This is not a substantive change. G. S. 165-44 now makes general provision for the extension to Korean and Viet Nam veterans of "all benefits and privileges granted by the laws of this State" to veterans of World War II. Korean and Viet Nam veterans are expressly included in the revised version of § 105-275(5) to avoid unnecessary cross reference.

(6) Parks owned by non-profit private agencies.

Subdivision (6) excludes from the tax base real and personal property owned by corporations organized under the nonprofit corporation act, Chapter 55A of the North Carolina General Statutes, for the purpose of creating and maintaining public parks and drives, and "appropriated" exclusively for that purpose. The existing provisions dealing with this property are contained in section 16 of that act, G. S. 55A-16, and in § 105-278(9), the section of the Machinery Act dealing with exemptions of real property. G. S. 55A-16 grants special powers to non-profit corporations formed for the maintenance of parks and drives, as therein defined, and includes a statement that "all property" owned by such corporations "and appropriated exclusively for public parks and drives

shall not be subject to taxation." Section 105-278(9) reiterates, so far as concerns real property, § 55A-16's tacit classification in the language of exemption. As an exemption, § 105-278(9) is without constitutional basis. Chapter 55A corporations are non-profit in nature, but the property excluded from the tax base by § 55A-16 is not required by that section to be held for any purpose that would justify the legislature's exemption of it under Art. V, § 2(3)'s grant of discretionary power to exempt property held for specified uses. Nor are corporations falling within the provisions of § 55A-16 governmental agencies. The section merely grants power to the corporation to receive and hold, and to municipal corporations to transfer property for the benefit of the citizens of the donor municipality "in connection with which" the park is to be maintained. Because of § 105-278(9)'s probable unconstitutionality, the property it covers (together with the personal property covered by § 55A-16) is classified here and excluded from the tax base. The sentence in the existing § 55A-16 dealing with taxation has been removed. See the comment on Section 9.

Portions of Existing Statute Not Recommended for Reenactment.

Existing G. S. 105-275, containing classifications that exclude property from the tax base, includes two subdivisions that define classes of personal property "placed in a public warehouse for the purpose of transshipment" The class defined by § 105-275(3) is owned by North Carolina residents. The declared purpose of each subdivision is "to encourage the development of the State . . . as a distribution center;" however, the provisions incorporate several features that raise questions about the utility of the classifications as means to that end. For example, the only difference between the two classes is that property owned by residents must be destined for out-of-state shipment whereas the

property of nonresidents qualifies for exclusion regardless of its ultimate destination. It is not apparent how this discrimination between residents and nonresidents can be justified in reference to the development of the state's transportation industry. The requirement contained in both class definitions that property be "in its original package" or, if fungible, "in bulk" is both inexplicable and unadministrable. If the statute's objective is to confine the benefit to wholesale shippers on the theory that shippers of retail items constitute a relatively insignificant segment of trucking and railroad patronage, the theory is not founded in economic reality. Finally, because the classifications contain no limitation on the duration of storage, they offer tax shelter to commercial owners able to place large quantities of inventory in the hands of carriers for shipment at unspecified dates. Because of the potential for abuse, and because the provisions remove relatively large amounts of taxable value from the base without commensurate benefit to the public interest, subdivisions (3) and (4) of § 105-275 have been removed.

Sec. 2. § 105-277. *Property classified for taxation at reduced rates.*

Sources in existing law: G.S. 105-277(a), (b), (c).

Proposed G.S. 105-277 contains all provisions by which property is classified for one kind of preferential treatment short of exclusion: reduction in the applicable tax rate. It contains the substance of the existing subsections (a) through (c) of § 105-277. Subsection (d) of the existing § 105-277 (dealing with family fallout shelters) has been omitted from the proposed revision. A comment on this omission appears below.

(a) Agricultural products in storage.

Subsection (a) is taken from the existing § 105-277(a). The only substantive change from the existing subsection occurs in the definition

of the class, where the words "in storage" have been inserted to permit reduced rate taxation only so long as the property is actually being stored. (This agrees with the "catch-line" in the present statute.) The subsection is intended to reduce the tax burden on industries -- principally manufacturers of tobacco products -- that are required to hold raw materials in storage for more than one year before beginning to process them.

(b) Peanuts in storage.

Subsection (b) is taken from the existing § 105-277(b). To effect the original legislative intent, the class has been redefined by insertion of the words "in storage" so that only peanuts actually being stored are eligible for reduced rate taxation. Peanuts are marketed through factors -- merchants who buy from growers for resale to processors. These middlemen profit by buying peanuts during the harvest season at prices lower than they can command from processors during July or August. By rationing the supply of peanuts over an extended period of time, factor marketing has the ultimate effect of raising the average price of the commodity. However, because the factor adds no value, he operates on a profit margin that is very low relative to the tax cost of holding the goods. Section 105-277(b) reflects a legislative judgment that this particular market should be preserved for the grower by reducing the tax burden on his buyer. Since the primary concern is the indirect benefit to the grower of a tax incentive to a natural price-support mechanism, the subsection contains no ownership requirements: manufacturers and processors can obtain the benefit of the classification as well as those who simply purchase peanuts for resale. However, once the peanuts are taken out of storage for refining, they become materials-in-process in industry and should be taxed like any other manufacturing inventory.

(c) Baled cotton.

Subsection (c) is taken from the existing § 105-277(c) without substantive change. The last sentence of the existing subsection, which declares that the enactment of the provision is not to be construed to repeal any pre-existing classification or exemption of cotton, has been removed. Because the revised versions comprehend all exemptions and classifications, this saving provision is unnecessary.

Portion of Existing Statute Not Recommended for Reenactment.

Existing G.S. 105-277(d) excludes from the tax base the first \$2,000 of the appraised value of "individual family fallout shelters meeting the criteria and standards of the Office of Civil Defense" It is believed that as an incentive to the construction of such shelters this provision has been demonstrably unsuccessful and that, in any event, it has outlived any usefulness it may have had when enacted.

Sec. 3. Property classified for taxation at reduced valuation.

Source in existing law: G.S. 105-281(c).

This section is designed to deal with all classifications that grant preferential treatment short of exclusion by the technique of reducing the appraised value of the property in the class. G.S. 105-281, from which the provisions of the proposed statute are taken, bears the title "Deductions and credits," but it is clear that subsection (c) of that section requires the amounts therein specified to be subtracted from the appraised value of the property, not from the tax due on it as the terms "deduction" and "credit" would suggest. For this reason, the provisions of existing §105-281(c) have been recast as a classification and transferred to this section. The proposed section contains an express classification of farm products that have been delivered, conveyed, or assigned to a cooperative for purposes of sale. This treatment preserves the goal of the existing statute in

a form more likely to meet with favorable judicial treatment.

The provisions of existing G.S. 105-281(a) and (b) are not recommended for reenactment or for revision. An explanation of that decision appears in the comment on Section 10.

Should Bill B proposed in this report be enacted by the General Assembly, it should, when codified, be combined with this section because it, too, is a classification of property for taxation at reduced valuation.

Sec. 4. *General provisions exempting real and personal property.*

This section is designed to take the place of existing G.S. 105-278 and G.S. 105-280. It is drafted as nine separate statutory sections rather than as a single section with numerous subsections. Each of the proposed sections is discussed separately below, and following the comments on the new sections is an explanation of the decision not to propose the reenactment or revision of certain existing exemptions.

§ 105-278. *Exemption of real and personal property owned by units of government.*

Sources in existing law: G.S. 105-278(1), -278(13), -280(1), -280(14), 63-51.1, 116-19, 140-5, 131-110, 157-26, 160-491, 165-33, 106-534.

Proposed § 105-278 combines into one section all statutory provisions that implement the mandatory constitutional exemption of governmental property, both real and personal. It incorporates, with considerable amplification, the general exemption of property owned by governmental units contained in the existing §§ 105-278(1) and 105-280(1). In addition, it encompasses most of the units or agencies of government whose property is specifically granted exemption by existing provisions outside the Machinery Act. To facilitate reading, the section is divided into three subsections. The operative subsections, subsections (a) and (b), deal respectively with property owned by the United States

and property owned by the state and its political subdivisions. Subsection (c) is definitional and applies to both of the preceding subsections.

The taxability of property owned by the United States is not controlled by state law. The North Carolina Constitution makes no mention of the federal government in the exemption provisions of Article V, § 2(3). The constitution's silence with respect to United States property reflects the fact that the exclusion of that property from the local tax base is not really a matter of exemption but one of immunity from taxation under the federal Constitution. Indeed, just as the state's power to tax property of the United States is circumscribed by federal constitutional limitations, the General Assembly is without power under the North Carolina Constitution to exempt any federally owned property: property immune under federal law may not be taxed while property not so immune must be (unless it is used for a purpose enabling the legislature to exempt it under the legislature's discretionary power to exempt property held for specified uses). Thus subsection (a), properly speaking, constitutes an acknowledgement of federal immunity rather than an exemption of federal property. It serves as a reminder to local governments that property owned by a federal agency may or may not be taxable depending on federal law. The case law, simply put, holds that if a federal agency is "governmental in nature" its right to have its property exempt from taxation may not be disputed; but that if an agency is essentially non-governmental, the state is not deprived of its jurisdiction to tax the agency's property merely because the agency is a federal one. Since the North Carolina Constitution forbids the General Assembly to exempt otherwise taxable property owned by the United States, subsection (a)

confines the exemption of property owned by the United States to that immune from state and local taxes "by virtue of federal law." This phrase replaces the existing § 105-278(1)'s confusing distinction between "directly" and "indirectly" owned governmental property. The incorporation by reference of the federal law of intergovernmental tax immunity enables the General Assembly to direct the exemption of property that the federal Constitution protects from state and local taxation without giving the appearance of exceeding its power under the North Carolina Constitution.

Subsection (b) implements Art. V, § 2(3)'s mandatory exemption of state and local governmental property. The constitution states simply that "[p]roperty belonging to the State, counties, and municipal corporations shall be exempt from taxation." This provision has been held to be self-executing. [Redevelopment Commission v. Guilford County, 274 N.C. 585, 164 S.E.2d 476 (1968); Piedmont Memorial Hospital v. Guilford County, 218 N.C. 673, 12 S.E.2d 265 (1940).] The purpose of the statute is twofold. First, it provides that the constitutional term "municipalities" includes all units of local government other than counties. Second, it makes express the use requirement that the courts have implied from the constitution: only property held for a public purpose qualifies for exemption. The revised version makes clear that the use-for-public-purpose requirement applies to state owned property as well as property of local units. The existing provisions are ambiguous on this question. Although existing § 105-278(1) contains a use requirement, it is impossible to tell which real property is modified by the phrase "used wholly and exclusively for public or school purposes." The matter has long been disputed. The language of existing § 105-280(1), dealing with personal property owned by governmental units, lends support to the interpretation

that only local units of government are intended to be subject to the use restriction. That section uses the phrase "county, municipal, or public school purposes," suggesting that there, and, by analogy, in § 105-278(1), the legislative intent is to exempt state property by virtue of its ownership alone, without regard to its use. However, one can find little justification for such a distinction on the bare words of the constitution, and it may be argued that the language of the implementing statute also accords the two categories similar treatment. Whatever the legislative intent, the matter is one for resolution, in the last analysis, by the courts. The public purpose requirement is a judicially originated doctrine, and constitutes a gloss on the constitutional provision. If the constitution, as interpreted by the court, conditions exemption of state property upon its being used for a public purpose, a legislative declaration to the contrary is of no effect. On the other hand, if the constitution does not so condition exemption of state property, the legislature has no power to add the requirement. Although the cases have been less than perfectly consistent, subsection (b) is written to conform to the latest and most authoritative pronouncement on the subject by the North Carolina Supreme Court. [Redevelopment Commission v. Guilford County, 274 N.C. 585, 164 S.E.2d 476 (1968).]

The existing legislation contains, in addition to the general provisions of §§ 105-278(1) and 105-280(1), specific grants of exemption to the property of various departments, institutions, and agencies. The usual techniques of these grants, which are scattered throughout the General Statutes, is to declare the entity to be a unit of government. The purpose of subsection (c) is to consolidate all such specific grants with the general exemption. The technique employed is to define, in subsection

(c)(1), "unit of government" to include its departments, institutions, and agencies; and then to list, as illustrative, the specific state [subsection (c)(2)] and local [subsection (c)(3)] entities currently dealt with in separate statutes. The agencies here listed encompass all units or agencies of government whose property is granted exemption by provisions outside the Machinery Act, with the following exceptions:

(1) The provisions of the existing § 63-52, granting exemption to property held by municipalities "for aeronautical purposes" have not been specifically incorporated because they seem to be superfluous.

(2) The provisions of existing § 160-505, exempting municipal off-street parking facilities, are omitted here because that section was repealed as superfluous in 1971, the repeal to be effective July 1, 1973.

By combining the existing §§ 105-278(1) and -280(1) the new § 105-278 exemplifies the policy, observed throughout the revised versions, of abandoning wherever possible the artificial distinction between real and personal property. The separate codification of real and personal property exemptions in existing §§ 105-278 and -280 has occasioned some rather bizarre results when the legislature has sought to alter the use or ownership requirements warranting exemption and has amended the subdivision governing one category but has neglected, through sheer oversight, to amend the corresponding subdivision governing the other category.

§ 105-278.1. *Burial property.*

Source in existing law: G.S. 105-278(2).

Proposed § 105-278.1 restates the existing exemption of "real property set apart for burial purposes" with some clarifying changes in language. First,

the revised version assures that the exemption applies only to real property, which is defined to include both land and improvements. The existing § 105-278(2) is capable of being read as exempting (a) real property and (b) tombs, vaults, and mausoleums whether or not constituting real property. Second, the new section adds another disqualifying characteristic to the existing subdivision's exception of property held for sale or rental in recognition of the practice common among venders of cemetery plots of conveying neither a leasehold nor a fee interest in the property but merely the right to be buried on it. Where the commercial realities are the same, the exemption of the property should not be governed by the legal form of the transaction. Finally, the words "monuments and similar structures" have been added to the existing provision's recital of kinds of improvements to make clear that the list is illustrative only.

§ 105-278.2. *Real and personal property used for religious purposes.*

Sources in existing law: G.S. 105-278(3), (12), (14), -280(2).

Proposed G. S. 105-278.2 combines into one section all exemptions of church property, both real and personal. The wording of the present provisions has been modified to promote clarity, and the statute is paragraphed in order to state as precisely as possible both the types of property exempt and the ownership and use characteristics warranting exemption. Subsections (a) and (b) set forth, for real and personal property respectively, the kinds of property exemptible and the use requirements that must be met for exemption. Ownership requirements are governed by subsection (c)'s list of eligible owners. Subsection (d) contains definitions of the terms used in subsections (a) and (b).

to state use requirements, and subsection (e) is the standard provision for pro-ration of real property exemptions taken from existing § 105-278(14).

As in the present § 105-278(3), exemption of real property is keyed to the presence of a building. Land is exempted only if it is (a) actually occupied by an exempt building or (b) adjacent to an exempt building and reasonably necessary for its convenient use. Under existing law, it appears settled that land owned by a church congregation and held for the future construction of a church building is taxable, even if adjacent to an existing church, unless the land is found, because of some current use, to be reasonably necessary for the convenient use of the existing building. The revised version does not change this result, but to facilitate reading lists together the categories of exemptible property in addition to buildings before stating the uses to which the property must be put in order to qualify. The existing language suggests that the original intention was to establish a criterion for exemption of land based on its relationship to an existing exempt building. A modest quantity of surrounding real estate -- lawns, walkways, parking space, etc. -- is naturally and properly incident to the serviceability of a building used for the purposes described in the statute. Hence the requirement of "adjacency," physical nearness to the structure in question. Compare the comment on § 105-278(3).

The use requirements set out in the numbered paragraphs of subsection (a) are designed to resolve two ambiguities resulting from amendment to § 105-278(3) in 1961. The language "or occupied gratuitously by one other than the owner which if it were the owner, would qualify for exemption under this section" in the existing provision was inserted in that year,

in order to exempt church-owned property used for a non-religious exempting purpose by one other than the owner. In the absence of the quoted language, the requirement that the property be "owned and held by" a church or religious body would seem to preclude exemption of church property in cases of gratuitous lease arrangements even between churches, although the lessee might qualify for exemption if it owned the property. A close reading of the amended statute, however, reveals an alternative interpretation that permits exemption without regard to church ownership, i.e., exemption of property solely on the basis of its religious use. This construction was placed on the present § 105-278(3) by the North Carolina Supreme Court in Wake County v. Ingle, 273 N.C. 343, 160 S.E.2d 62 (1968), which held exempt from taxation a building and adjacent land leased indefinitely and without compensation by a private individual to the trustees of a church congregation. The second ambiguity in the present § 105-278(3) stems from the use of the word "section" in the 1961 addition. While it is certain that otherwise qualified property owned by one church and occupied gratuitously by another is not taxable, it is not clear whether the 1961 amendment was intended to exempt church property occupied rent-free by a museum, say, or a school -- i.e., whether "section" refers to § 105-278 in its entirety or only to the portion numbered (3). Although the question was not directly before the Court in the Ingle case, the opinion seems to suggest that a requirement for exemption is use for a religious purpose.

The revised version changes the result of the Ingle decision and is written to conform to the original intention of the draftsmen of the 1961 amendment. The thought of the original sentence has been divided between

the two numbered paragraphs of subsection (a). Paragraph (1) deals with property used by its owner for religious purposes, while paragraph (2) deals with property used by one other than the owner for any purpose that would authorize the General Assembly to exempt the property under Art. V, § 2(3) of the North Carolina Constitution. Note first that church ownership is a requirement under both paragraphs. Second, the revised version adopts the position that use for any constitutionally enumerated purpose (other than governmental) -- not necessarily the purposes specified in the existing § 105-278 -- entitles the property to exemption, provided only that the lease or other arrangement between the occupant and the owning church results in no income to the owner (other than the defraying by the occupant of the ordinary and necessary expenses required for the maintenance of the property). In effect, the revised provision adopts neither of the alternative use requirements suggested by the literal terms of the existing § 105-278(3): the uses warranting exemption by subsection (a)(2) in the gratuitous occupancy situation are more than the single religious purpose use that reading the word "section" in the existing § 105-278(3) to mean "subdivision" would permit, but fewer than would be permitted if "section" were interpreted to mean all of § 105-278. Nevertheless, the new provision probably approaches the original intention of the 1961 amendment more closely than either of the other alternatives, since § 105-278 is a more or less arbitrary grouping of exemption provisions. Presumably, the 1961 amendment was not specifically intended to permit exemption where the occupant is, for example, an airport authority [§ 105-278(13)], or a public park maintenance corporation [§ 105-278(9)], or a non-citizen Indian [§ 105-278(8)]. Moreover, several of the existing subdivisions of

§ 105-278 are, as exemptions, patently unconstitutional, and of doubtful validity even if viewed as exercises of the classification power. Thus, the wording of subsection (a)(2) permits the desired separation of ownership and occupancy and "cross-use" exemption without running afoul of the constitutional restrictions.

The emphasis in the revised version is on the property's use. Thus, in subsection (a), the requirement that the property be "used by" the owner is substituted for the existing requirement that the property be "held by" the owner. The change is part of a general plan throughout the revised exemption statutes to use the single word "own" to denote an ownership requirement, instead of such phrases as "owned and held by," "acquired by," "belonging to," etc., in order to mark a clear distinction between requirements of ownership, occupancy, and use.

Subsection (b), governing exemption of personal property, parallels the provisions of subsection (a) with respect to ownership, possession, and use requirements. However, only certain kinds of real property are exemptible, and the necessary delicacy with which exemptible real property must be described calls for separate treatment of personal property to facilitate expression, even though the ownership, possession, and use requirements are identical except for the stylistic substitution of "made available" and "possessor" for "occupied" and "occupant." Whereas the existing § 105-280(2) confines the grant of exemption to "the furniture and furnishings of buildings," subsection (b) broadens the grant to include all personal property that meets the ownership, possession, and use tests. The same considerations that urge limitation on the amount of real property a religious organization may own tax free do not apply to personal property.

A congregation might satisfy the "used wholly and exclusively for religious purposes" requirement with respect to a virtually unlimited amount of real property simply by holding a tent meeting, retreat, or other bona fide religious activity on it once a year and seeing to it that for the rest of the year it is put to no disqualifying use. The adjacency, necessity, and convenience tests are thus necessary to prevent the exemption from degenerating into an incentive to real estate speculation. By contrast, an exemption of all personal property does not present much potential for abuse. It is difficult to think of items of tangible personalty not covered by the existing exemption of "furniture and furnishings" that are at once capable of meeting the use requirement and appreciable over time. Since there is no economic, as distinguished from tax, incentive for a religious body to acquire excessive amounts of personal property, a provision that exempts a church's chalices, draperies, and chairs but not its lawnmower or the automobile it uses exclusively for church business is hard to justify.

Subsection (c) sets forth eligible owners, making it clear that property meeting the requirements of subsection (a) or (b) is entitled to exemption whether owned by a local church unit or by a church's regional, statewide, or national organization or association of local units. Subsections (c)(1) and (c)(2) are designed to replace the vague terms "church" and "religious body" found in the existing provisions.

Subsection (d) is entirely new. It defines the terms employed by subsections (a) and (b) to state the use characteristics entitling property to exemption, and focuses attention on the constitutional basis for exemption. The definitions are designed to aid the administrator in making his determination whether with respect to each item of potentially exempt

property the statutory and constitutional use requirements are met. The language is necessarily broad and general: The intention is not to narrow the scope of administrative discretion but to induce its exercise. There is evidence that under the existing provisions much property is exempted solely by virtue of its being owned by a religious organization or by some other entity named in a subdivision of § 105-278 or § 105-280, without inquiry into the use that the owner makes of it. In the belief that this removal from the tax base of substantial taxable value is attributable, at least in part, to the fact that the inadequate guidance furnished by the statute deters the administrator from undertaking the task of examining property for an exempting use, the policy throughout the revised exemption provisions exemplified by this section, is to make the statutory language conform to that of the constitutional authorization and then to include a definition of the constitutional term each time it appears. In addition to encouraging closer scrutiny of the statutory requirements for exemption, the technique has the advantage of putting the statutory grant on a firmer constitutional footing. In general the definitional language is self-explanatory. However, two features of subsection (d)(1)'s definition of "religious purpose" merit special comment. First, subsection (d)(1) expressly declares that the maintenance of a promotional office or headquarters by a religious body comprised of local units is a religious purpose. This statement incorporates intact into § 105-278.2 the provisions of existing § 105-278(13): no change in substantive result is effected so far as concerns real property so used, since the description of exemptible property contained in existing subdivision (13) is identical to that contained in existing subdivision (3) and preserved in new sub-

section (a): buildings, subjacent land, and adjacent land reasonably necessary for the convenient use of exempt buildings. The technique is preferable to that employed by the existing statute, which gives the appearance of exceeding the constitutional authority of the General Assembly by implying a distinction between use for religious purposes and use for general or promotional offices or headquarters. However, the technique employed in the revised version does grant an express exemption to personal property used for general or promotional office or headquarters purposes that the existing provision does not permit. There is no subdivision of § 105-280 corresponding to § 105-278(13). The only exemption of church-owned personal property granted by existing law applies to the furniture or furnishings of buildings used for "worship" or for ministerial residences. Second, subsection (d)(1) attempts to make specific the provisions of the existing law concerning exemption of ministers' residences, making it plain that a local congregation is entitled to exemption for only one residence for a minister and that no other church agency is entitled to exemption for the residences furnished ministers.

Subsection (e) is taken from the present § 105-278(14). To avoid unnecessary cross-reference, the general provision for proration of exemptions has been removed and its substance added to each of the exemptions to which it refers. In addition, some modification of the language of the existing provision has been thought advisable. In particular, the subsection exempts the "valuation" of the prorata part of a property used for an exempting purpose, in an effort to demonstrate the correct approach to appraising a lot or building used partially for an exempting purpose. The appraiser should arrive at a single valuation for the entire property. Then the total value should be reduced in proportion to the area used for

an exempting purpose. If a church building contains 15,000 square feet of floor space and one corner of it -- representing 3,000 square feet -- is leased to a drug store, the taxable value of the building will be 1/5 its appraised value. Finally, it should be noted that subsection (e) applies proration to any "property" qualifying for exemption under subsection (a).

§ 105-278.3. *Real and personal property used for educational purposes.*

Sources in existing law: G. S. 105-278(4), (14), -280(3).

Proposed G. S 105-278.3 combines into one section the existing exemptions of real and personal property used for educational purposes. The wording of the present provisions has been modified to promote clarity, and the statute is paragraphed in order to state as precisely as possible both the types of property exempt and the ownership and use characteristics warranting exemption. Subsections (a) and (b), concerning exempt real property, are followed by the standard provision, in subsection (c), for proration of real property exemptions. The exemption of personal property is governed by subsection (d). Subsection (e) defines the statute's use requirement.

In subsections (a) and (b) the existing § 105-278(4) has been rearranged according to categories of exemptible real property. Under the existing provision, before any real property is entitled to exemption there must be at least one building accorded exemption because wholly devoted to educational purposes. The original enactment, like that providing exemption for church property, exempted land solely on the basis of its necessity to the convenient use of a building. When the statute was amended in 1959 to provide exemption for certain real property other than buildings and adjacent land, the additional exemptions were conditioned on the existence of an exempt building. While the requirement that an educational

institution own at least one building entitled to exemption in order for its other property to be exempted may at first seem arbitrary, the requirement is useful in restricting an exemption based on so broad a standard as used for an "educational" purpose. The requirement is carried forward in the revised version: Subsection (a) sets forth the requirements for exemption of buildings and the land used in connection with them. Subsection (b), dealing with the exemption of land not covered by (a) and improvements other than buildings, requires as a condition of applicability that the owner of any such land or improvement also own a building that is exempt under the provisions of subsection (a).

The word "actually" in reference to occupancy, removed from § 105-278(4) by the 1959 amendment, has been restored in the interest of uniformity among the exemption provisions. No substantive change is made by this addition: in view of the exemption for "additional land reasonably necessary for the convenient use" of any exempt building, "the land occupied" obviously refers only to the land directly beneath a building. The land referred to is the same as that exempted by the words "the land upon which they are situated" in subdivisions (3) and (12) of the existing section--the same land that is referred to in subdivision (6) as "the land actually occupied." In the revised versions, the same language is used throughout to refer to the exemption of a building's subjacent support.

Note that the word "adjacent," which appears in the revised version of the exemption of church-owned property [proposed G. S. 105-278.2, above], is not used in this section. The word was dropped from the existing subdivision (4) when it was amended in 1959 to exempt "other buildings and facilities located on the premises" of qualified institutions. This affirmative legislative action may have been taken out of fear that

the requirement of adjacency in reference to land used in connection with an exempt building would frustrate the expansion intended by the amendment. Today educational institutions are not as compact as they once were, and they might well have difficulty satisfying their legitimate real estate needs within as confined an area as would normally suffice for a church. Thus, although the comparable provisions of other statutes require the land to be near the exempt building it serves, land serving a building used for educational purposes is exempted regardless of its proximity to an exempt building so long as it is reasonably necessary for the building's convenient use. Of course, the greater the distance from the building to the land in question, the less likely it is that the land will meet the necessity and convenience tests.

The North Carolina Constitution authorizes the legislature to exempt property held for educational purposes. When the General Assembly enacted the existing § 105-278(4), it imposed--as it is entitled to do--additional requirements for the exemption of educational property. Before amendment in 1959, the exemption for buildings and additional land "wholly devoted to educational purposes" required that the property be owned by an educational institution. Thus, property leased to an educational institution was taxable, even though used exclusively for educational purposes by the lessee. Moreover, property had to be used by its owner, so that a lease arrangement, even between qualified institutions, would render otherwise exemptible property subject to taxation. In the existing subdivision (4) both of these requirements--ownership by a qualified institution and use by the owner--are tersely stated in the single phrase "belonging to and exclusively occupied and used by." But note that this phrase does not modify the "other buildings and

facilities" exempted by the 1959 insertion, so that the requirements apply to the additional real estate only by implication. The result is that, under a literal reading of existing law, a structure, such as a classroom building, "wholly devoted to educational purposes," must be owned, "occupied," and used by a single educational institution in order to qualify for exemption from taxation, while a football stadium, a student housing facility built on college-owned land by a commercial realtor, or a building leased to a catering service and used as a cafeteria, is exempt if it is simply "on the premises" of the institution and "reasonably necessary and useful" in the institution's "functional operation."

To change this probably unintended result, and also to place the provision on a surer constitutional footing, the revised version makes the following changes:

(a) The word "owned" in paragraph (a) (1) replaces the terms "belonging to" and "located on the premises of." It is almost beyond question that the legislature intended to exempt only property owned by a qualified institution, thus the statute should say so explicitly.

(b) The extraneous word "occupied" has been dropped to avoid the suggestion of an additional requirement. That word is employed in only one existing exemption provision -- G. S. 105-278(5) --and has been continued in the proposed revision of that section [G. S. 105-278.5] to emphasize the restricted nature of the exemption granted therein.

(c) The requirement that property be used by its owner has been thought unnecessarily restrictive in this context and has been removed. The proposed revision exempts property of a qualified owner whether used by the owner itself or by another qualified educational institution,

provided only that if the owner and occupant are not the same, the owner must receive no compensation for permitting the property to be used by the occupant. The abandonment here of the requirement of unity of ownership and occupancy is part of a general plan throughout the revised exemptions to emphasize use as a primary exempting characteristic, and it is paralleled by similar provisions in the exemption of church-owned property [proposed G. S. 105-278.2, above], property of religious educational assemblies [proposed G. S. 105-278.4, below], and the property of certain other nonprofit institutions [proposed G. S. 105-278.6, below]. It should be noted, however, that, unlike proposed §§ 105-278.2 and -278.6, which permit exemption of property owned by the institutions therein specified if used for any of several exemption purposes, this section exempts property only if used for an educational purpose.

(d) In existing G. S. 105-278(4), the use-wholly-for-educational purposes requirement appears to be stated as an alternative rather than exclusive basis for exemption. The apparent alternative is that the property be necessary and useful in carrying out an educational institution's business. Thus, in effect, the language of the statute seems to suggest that an educational institution may have proper uses for its property that are not educational in the common use of that term. But, as already noted, the North Carolina Constitution specifies the uses to which property must be put to justify its exemption. On the assumption that the legislature did not intend an unconstitutional result, the statute has been recast to eliminate the implication of disjunctive exempting characteristics, and the revised version is constituted a legislative declaration that some property necessarily used for functions not strictly

academic is nevertheless being put to educational uses. In this way the constitutional requirement of use for an educational purpose is made absolute and applicable to all exemptible categories of property.

(e) The expression "devoted to" has been replaced by "used for" and the adverb "exclusively" has been inserted in the interest of uniformity among the exemption statutes.

(f) The language used to describe the kinds of property eligible for exemption has been changed. Note that the clause "and also such other buildings and facilities located on the premises of such institutions as may be reasonably necessary and useful in the functional operation of such institutions," inserted in the existing provision in 1959, contains no provision for the exemption of "additional land" comparable to that accompanying an exempt building. It has been suggested that the reason for this omission is that the word "facility" means literally anything that promotes the ease of any action, operation, or course of conduct and is broad enough to include land that is useful for some specific purpose, such as access to a building or facility. Moreover, if "facilities" may be thus broadly construed, it would seem to follow that some land, for example forest land used for clinical instruction in forestry, is exemptible under present law without regard to its relationship to the use of an exempt improvement. In the revised version, the word "land" is used to mean land, and the Commission has thought it advisable to make express provision for the exemption of land used for a bona fide educational purpose whether or not this constitutes an expansion of the existing exemption. The other property exempted by the existing term "facilities" is exempted in the revised version by the word "improvements." Black's Law Dictionary defines the word "improvements" as

A valuable addition made to property (usually real estate) or an amelioration in its condition, amounting to more than mere repairs or replacement of waste, costing labor or capital, and intended to enhance its value, beauty or utility or to adapt it for new or further purposes.

In this sense, the word seems to convey the likely legislative intent of the existing provision. In short, the revised version deemphasizes the existing provision's distinction between land and improvements and between buildings and other types of improvements, and the new section reflects the view that the controlling consideration should be whether or not the property is used for an educational purpose. The only other restriction is that the property must be "of a kind commonly employed in the performance of those activities naturally and properly incident to the operation of an educational institution such as the owner." This more descriptive language replaces vague reference in the existing statute to an institution's "functional operation" and is made applicable to all real property by paragraphs (a)(4) and (b)(3).

Subsection (c), taken from the existing § 105-278(14), is a standard clause in the revised versions. To avoid unnecessary cross-reference, the general provision for proration of real property exemptions has been removed and its substance added to each of the exemptions to which it refers. For a discussion of the language modifications, see the comment to the revised version of the exemption for church-owned real property, G. S. 105-278.2, above.

Subsection (d)'s exemption of personal property used for educational purposes restates the existing exemption in § 105-280(3). The language

modifications are intended primarily to make the ownership and use requirements conform to those for exemption of real property in subsections (a) and (b). [Note, however, that, as in the existing §105-280(8), the list of eligible owners of personal property exemptible under this subsection includes churches and religious bodies.] The only substantive changes effected by the proposed subsection (d) are the omission of the word "tangible" which precedes "personalproperty" in the existing § 105-280(3), and the addition of a requirement, comparable to that imposed by subsections (a) and (b) on real property, that is the property is not used by its owner it must be made available by the owner without compensation to a possessor who qualifies under the subsection's list of eligible owners. The existing § 105-280(3)'s exemption only of "tangible" personal property is unnecessarily restrictive. On the other hand, the existing subdivision (3) requires only that the property be owned by a church or nonprofit educational institution and used for an educational purpose without regard to who makes use of it. The proposed revision states the same requirements as to the relationship between owner and user for both real and personal property.

Subsection (e)'s definition of educational purpose is new. The language is self-explanatory. The purpose of the subsection is to aid the administrator in making a determination whether with respect to each item of potentially exempt property the statutory and constitutional use requirement is met. The inclusion of subsection (e) is part of a policy, observed throughout the revised exemption provisions, of conforming the statutory language to the constitutional authorization, including a definition of the constitutional term each time it appears. For fuller

discussion of this technique see the comment on subsection (d) of proposed G. S. 105-278.2, above.

§ 105-278.4. *Real and personal property of religious educational assemblies used for religious and educational purposes.*

Sources in existing law: G. S. 105-278(4a), (14), -280(3a).

Proposed G. S. 105-278.4 combines the exemption of real and personal property of religious educational assemblies contained in §§ 105-278(4a) and -280(3a) of the present statute, and includes a standard provision for the proration of real property exemptions. The present provision was enacted in 1965. At the time of its enactment other exemptions provisions were in force that were capable of being construed to cover much of the property of such institutions. The statute was enacted in response to exemption problems encountered by large religious conference centers typified by Ridgecrest, Montreat, and Lake Junaluska under the existing exemptions for the property of religious and educational institutions. The desire to resolve these difficulties probably explains the extraordinary breadth and liberality of the statute's terms. Although the revised version similarly overlaps other proposed sections, in particular proposed §§ 105-278.2 and -278.3, it has been thought best to retain the special exemption of religious educational assembly property, both for historical reasons and because the character of the owners involved are sufficiently distinctive to warrant specific treatment of their property.

The language of subsection (a)'s exemption of real property substantially modifies and restricts the exemption purported to be granted by the existing subdivision (4a). When the ownership and constitutional use requirements are met, the subsection exempts buildings, the land beneath exempt buildings, and additional adjacent land that is reasonably necessary

either for (1) convenient use of an exempt building, or (2) the conduct of the owner's "religious educational programs," a term which is confined by (a)(3) to worship or religious educational "instruction." The existing subdivision (4a) exempts simply "real property" and expressly declares that term to be "without limitation." For a number of reasons the Commission believes that this grant is unjustifiable broad. In the first place, if the kind and amount of exemptible property used for religious purposes by churches or for educational purposes by schools is to be restricted (as is the case under both the existing and proposed statutes dealing with the property of these owners), it would not seem to be a sufficient reason for extending a broader privilege to assemblies and retreats that they use their property for purposes that happen to be both religious and educational. More important, the Commission feels that because of the expansive language of the existing statute, much property is being exempted that is in fact used almost exclusively for private recreational purposes. Indeed, subdivision (4a) makes express reference to the "housing, feeding and recreation" of "participants" in the "activities" of the owning institutions. Apart from the fact that an extremely narrow construction of these terms is necessary to apply them constitutionally, the Commission thinks that as a matter of policy the General Assembly should disavow any implication of a legislative finding that strictly or primarily recreational activities satisfy constitutional use requirements. The reader is referred to the provisions of proposed § 105-278.2 (d) (1), above, restricting the tax-free ownership of employee housing by churches and religious organizations. To retain the kind of loose use requirements exemplified by the language of existing subdivision (4a) with respect to a statewide or regionally constituted religious

agency while thus restricting exempt ownership by a local parish or congregation would be inconsistent to the point of incongruity. The revised version's use requirement, together with the provision for exemption of "additional adjacent land reasonable necessary for . . . the religious educational programs of the owner" is believed to be sufficiently flexible to satisfy the legitimate real estate needs of the institutions involved without extending the opportunity for abuse.

In addition to the foregoing substantive changes, some of the language of the existing subdivision (4a) has been replaced by phrases that are uniform throughout the exemption provisions, and some of it has been deleted as superfluous. The language that appears in subsection (a) (2) of the revised draft is similar to that used to import a requirement of nonprofit status wherever that status is required. It differs slightly from the provision in the present statute; for example, the existing reference to an institution "organized or operated for profit" seems unnecessary in the context of the kind of owners involved. The first clause of the last sentence, permitting operation of buildings and facilities "by contractual arrangement," is no more necessary here than in other provisions exempting the property of similar nonprofit institutions, and the same reasoning applies to the remaining clause of the sentence saving the exemption in the event of incidental patronage by the general public.

Subsection (b), taken from the existing § 105-278(14), is a standard clause in the revised versions. To avoid unnecessary cross-reference, the general provision for proration of real property exemptions has been removed and its substance added to each of the exemptions to which it refers. For a discussion of the language modifications, see the comment

to the revised version of the exemption for church-owned real property, G. S. 105-278.2, above.

Subsection (c) restates the provisions of existing § 105-280(3a) with only minor modifications in language. However, because the exemption is tied to the exemption of real property, exempting only such personal property of religious educational assemblies as is "used in connection with" exempt real property, the effect is to restrict the grant of exemption to personal property by eliminating the exemption of personal property used in connection with real property that might be exempt under existing § 105-278 (4a) but taxable under this proposed section.

§ 105-278.5. *Real and personal property used for charitable purposes.*

Sources in existing law: G. S. 105-278(5), (14), -280(5).

Proposed G. S. 105-278.5 combines into one section the substance of the existing §§ 105-278(5) and -280(5) exempting the real and personal property of certain charitable institutions. Subsection (a) states the ownership and use requirements entitling property to exemption. Subsection (b) defines the term "charitable purpose," which is the use required for exemption by subsection (a). Subsection (c) is the standard provision for proration of real property exemptions taken from the existing § 105-278 (14).

Subsection (a) makes few substantive changes from the existing statutes. The principal accomplishment of the revised draft is to reclaim the probable legislative intent from the obscurity produced by the original draftsman and aggravated by subsequent amendments. The existing § 105-278 (5) appears to grant exemption solely on the basis of ownership by a qualified nonprofit institution, and although the parallel provision for personal property exemption in § 105-280 (6) contains the phrase "and

entirely and completely used for charitable and benevolent purposes," piecemeal insertions have so contorted the sentence structure that it is impossible to tell how much of what precedes these words is modified by them. The characterization of an institution as charitable in nature, even if sustained, does not necessarily mean that its property is used for a charitable purpose, and the distinction between charity and benevolence is another usage from which it is possible to infer an excess of the legislature's power to grant exemption. The revised draft omits the word and makes the requirement of use for a charitable purpose absolute and applicable to all property. In addition, the following specific changes and clarifications should be noted:

(a) The term "owned by" is substituted for "belonging to" in the interest of uniformity among the exemption provisions.

(b) Reformatories, included by name as eligible owners under existing § 105-280 (5)'s exemption of personal property, are not mentioned in existing § 105-278 (5), although such institutions are probably entitled to real property exemption as a "home" "similar" to an orphanage. In any case, the revised draft treats the omission as inadvertent. The revised draft also adds to the reference to reformatories the words "or correctional institution," on the theory that the image evoked by the word "reformatory" today is probably not the same as it was when the word first appeared in the statute and in any event is by now inadequate to describe the kind of institution intended to receive the benefit.

(c) The word "convent" is added in subsection (a)(6) to the existing subdivisions' references to "nunneries" for reasons similar to those discussed in the preceding note on the addition of the words "correctional institution." The word "monastery" has also been included; it is almost

inconceivable that the legislature intended to exclude them from the list of eligible owners.

(d) Like existing § 105-280 (5)'s phrase "entirely and completely used for charitable and benevolent purposes," the language importing the nonprofit requirement in both § 105-280 (5) and § 105-278 (5) have uncertain antecedents, and the language used in one existing subdivision differs from that used in the other for reasons that are not apparent. The revised version makes the nonprofit requirement applicable to all owners by using the standard phrase "not organized or operated for profit" that appears throughout the revised versions.

(e) Hospitals have been excluded from the list of eligible owners. Under the existing provisions hospital property is entitled to exemption only if (1) it is used for a charitable purpose and (2) the hospital is organized and conducted on a nonprofit basis. Property entitled to exemption under existing §§ 105-278(5) and -280(5) is thus also exempted by existing §§ 105-278(10) and -280(11). This duplication is omitted from the revised versions, since they too contain a specific exemption for property used for charitable hospital purposes. (See comment on § 105-278.7.)

Subsection (b)'s definition of charitable purpose is new. The language is self-explanatory. The purpose of the subsection is to aid the administrator in making a determination whether with respect to each item of potentially exempt property the statutory and constitutional use requirement is met.

Subsection (c), taken from the existing § 105-278 (14), is a standard clause in the revised versions. To avoid unnecessary cross-reference, the general provision for proration of real property exemption has been removed and its substance added to each of the exemptions to which it refers.

§ 105-278.6. *Real and personal property used for educational, scientific, literary, or charitable purposes.*

Sources in existing law: G. S. 105-278(6), -280(6).

Proposed G. S. 105-278.6 combines into one new section most of what is covered by existing §§ 105-278(6) and -280(6), but the emphasis of the exemption has been shifted from property ownership to property use.

The new statute is drawn in strict conformity with the constitutional grant: Exemption is made to depend upon the nonprofit use of the property for one of the following constitutionally exempting purposes: educational, scientific, literary, or charitable. Exemption is not available, however, unless, in addition to being used for one of the specified purposes, the property is owned by a veterans' organization or by a charitable, benevolent, historical, scientific, or literary association or institution. (The existing statute does not refer specifically to "institutions," although it has generally been interpreted as covering them.) Unlike the existing law, however, the owning agency need not be the using agency so long as the user or occupant puts the property to one of the exempting uses and so long as the owner receives no compensation for allowing the property to be used by another. This is a broadening of the existing grant but parallels the existing grant to property used for religious purposes [G. S. 105-278(3)] and the grants in proposed §§ 105-278.2 (religious purposes) and -278.3 (educational purposes). The proposed statute is, on the other hand, more restrictive than the existing law because it carefully limits the qualifying uses to those specified in the Constitution.

The list of potentially qualified owners has been expanded to include scientific and literary associations and institutions, but "patriotic associations" have been dropped from the revision because of the possi-

bilities it offers for abuse arising from the difficulty encountered in devising an acceptable definition of the term. The Commission is of the opinion that the expanded list of qualifying owners will serve the public interest adequately.

As in proposed §§ 105-278.2, -278.3, -278.5, and -278.7, this new section contains definitions of the constitutionally authorized exempting purposes prescribed. This is done to help administrators and others who are called upon to interpret the statute.

§ 105-278.7. *Real and personal property used for charitable hospital purposes.*

Sources in existing law: G. S. 105-278(10), -280(11).

Proposed G. S. 105-278.7 combines into a single section what appears in existing §§ 105-278(10) and -280(11), thus the exemption of real and personal property of qualifying hospitals is dealt with together.

The new provision has been paragraphed for clarity, but it differs in only minor ways from the existing law. Since the obvious constitutional basis for the exemption lies in the charitable use of the owner's property, the statute states that requirement affirmatively, and the term "charitable hospital purposes" is defined to parallel the definition of "charitable purposes" found in proposed §§ 105-278.5 and -278.6.

The provision for prorating the real property exemption has been made to parallel that employed in the other statutes, but the new provision does not depart from the intention of the proration provision in the existing § 105-278(10).

Specific provision for the exemption of nurses homes owned by a qualifying hospital has been eliminated as suggesting an undesirable restriction. The test for exempting nurses quarters, or quarters for other

employees, like all other property of the owner, is whether or not it is used for charitable hospital purposes as defined.

The provision or requirement of existing § 105-280(11) that "all revenues or receipts of such hospitals shall be used, invested, or held for the purposes for which they are organized" has been dropped from the revision as redundant in the light of the description of a qualifying owner.

§ 105-278.8 *General exemption for individually owned personal property.*

Source in existing law: G. S. 105-280(8)

The North Carolina Constitution authorizes the General Assembly to exempt "any personal property" up to an appraised value of \$300. For many years, through § 105-280(8), the legislature has exercised this authority in favor of households and individuals residing alone, allowing them a \$300 reduction in the appraised value of the following property if listed for taxation:

wearing apparel

household and kitchen furniture

the mechanical and agricultural instruments of farmers and mechanics

libraries

scientific instruments

provisions

livestock

Through the years, changes in living conditions have produced wide variations in popular understanding of what is included in several of these categories of property. To comply with the tax law, abstract forms necessarily have become complex. The resulting tax relief has been very

modest, occasionally unfair to individual property owners who live in family households, and occasionally over-generous to single individuals living in groups. For these reasons, the proposed version of § 105-278.8 grants the \$300 valuation deduction to each individual who is required to list any personal property for taxation. There may be some minor loss of revenue as a result of this change, but it may very well be compensated by less complicated administration.

The portion of existing § 105-280(8) that deals with "growing crops" is not carried forward in the proposed section but is dealt with in a proposed revision of § 105-317(a)(1). See the comment on Section 5.

Sec. 5. Growing crops.

Source in existing law: G.S. 105-280(8).

Existing G.S. 105-280(8) grants exemption from taxation to "all growing crops." The apparent intention of the General Assembly was to grant immunity to the crop that, in the words of the North Carolina Supreme Court, "is not come to maturity, but is green or not made." [Shannon v. Jones, 34 N. C. 206, 209 (1851)]. The assumption of the statute seems to be that growing crops are a species of personal property. There is no constitutional basis for their exemption as such.

The language of the present statute dates from the time when North Carolina's tax day was April 1 (when many crops were in the field) rather than January 1 (when few crops are growing). Today the provision is of little importance, but it seems important to correct the misconception as to the nature of growing crops. In actuality, they are a part of the land (real property), and their separate appraisal and taxation is nowhere contemplated by the tax statutes. Thus, to reflect the fact that an unmaturing growing crop of an annual or seasonal nature adds no increment of value to the land and to accomplish the original legislative

intention in a constitutional manner, the statute that prescribes the techniques of land appraisal [§ 105-317(a)(1)] has been modified to require appraisers to ignore seasonal or annual crops that may be growing upon land they are called upon to appraise as of any January 1.

Sec. 6. *Property of hospital authorities.*

Article V, § 2(2), of the North Carolina Constitution grants exemption to property owned by the state and units of local government. It is now apparent that mere ownership is not sufficient to support such an exemption; the property must be used for a public or governmental purpose. [Redevelopment Commission v. Guilford County, 274 N. C. 585, 164 S. E. 2d 476 (1968).] Existing G.S. 131-110, which is concerned with hospital authorities established under Chapter 131 of the General Statutes, contains the following language: "The property of an authority shall be exempt from all local and municipal taxes and for the purposes of such tax exemption, it is hereby declared as a matter of legislative determination that an authority is and shall be deemed to be a municipal corporation." This statement is potentially misleading in the light of the Redevelopment Commission decision, thus the proposed version amends the quoted language by inserting the words "used for public purposes" immediately following the opening phrase, "The property of an authority. . . ." Otherwise, the existing section remains unchanged.

Sec. 7. *Property of housing authorities.*

For the reasons noted in the comment on Section 6, above, the sentence in existing G. S. 157-26 (dealing with housing authorities) that is identical to the sentence in existing G.S. 131-110 that is proposed for amendment is, in this section, proposed for amendment in precisely the same way.

Sec. 8. §105-282. *Requests for tax relief; burden of proof; records of property given relief.*

Source in existing law: G. S. 105-282.

The right to relief from property taxation is a right conferred on non-governmental property owners in the discretion of the legislature. The constitutional limitations placed on the General Assembly's exercise of that discretion permit a legislative grant of tax relief in certain instances but do no require it under any circumstances. Since the legislature might if it chose withhold all right of tax relief, it follows that there is no constitutional impediment to the imposition of conditions upon the exercise of that right when it is conferred. The Commission considers it not unreasonable to require property owners who seek the benefit of an exemption, or of a classification granting total or partial tax immunity, to take the initiative in demonstrating that they are entitled to it. The proposed draft of § 105-282 therefore requires property owners to submit written requests for relief with the appropriate listing authority, and places upon the owner the burden of establishing that the property with respect to which relief is sought qualifies according to the terms of the relevant exemption or classification provision. Under subsection (b), failure to meet the application requirement during the regular listing period in any year constitutes a waiver of the right to relief for that year. The Commission believes that the requirement of a formal written request will facilitate the equitable administration of exemption and classification provisions by furnishing administrators with a procedure for subjecting claims of exemption or other preferential

treatment to close and regular examination and review.

Subsection (a) requires that approved requests for relief be filed in the offices of the tax supervisor and appropriate municipal listing official. Each officer is then required by subsection (c) to prepare, on the basis of the information on file as well as other available information, a roster of all property within his jurisdiction granted relief through exemption or classification. Each entry in the roster must briefly describe the property and state its ownership, use, and value. A similar duty is imposed by the existing § 105-282, but since the existing section fails to provide machinery adequate to furnish the listing official with the required information, compliance with § 105-282 is difficult. The requirement of a written request, by supplementing the requirement that a record of property immune from taxation be maintained, should contribute substantially to alleviating the very serious problem of inadequate data on valuations excluded from the local tax base. The revised draft makes two mechanical changes in the duties imposed by existing § 105-282:

(1) The revised version clearly distinguishes the recording requirement from the requirement that local officials submit a report of exempt valuations to the State Board of Assessment: Under subsection (c) a complete roster is to be maintained at all times in the office of the appropriate local official; under subsection (d) a duplicate copy of the initial roster must be forwarded to the State Board, and thereafter local offices need only report annually the changes made in the roster.

(2) The new draft makes clear that the recording and reporting requirements apply to property or valuations excluded from the tax base by classification as well as by exemption.

Sec. 9. *Public parks and drives.*

Existing G.S. 55A-16 (dealing with private nonprofit corporations administering public parks) contains a sentence granting exemption from taxation to property owned and held by such a corporation formed under Chapter 55A of the General Statutes. The proposed amendment would delete that language from G.S. 55A-16. The same result is obtained through legislative exercise of the classification power in the draft of G.S. 105-275(6) proposed in Section 1. See the comment on that section for a full treatment of this recommendation.

Sec. 10. *Specific repeals.*

The following existing sections of the General Statutes would be repealed by this provision: §§ 63-51.1, -52, 105-281, -287(b)(2), paragraph g.

The comment on G.S. 105-278 as proposed in Section 4 contains an explanation for the repeal of G.S. 63-51.1 and -52 and need not be repeated here.

Existing G.S. 105-281 contains three subsections. The substance of existing subsection (c) has been redrafted as an exercise of the classification power in proposed Section 3 and is commented on in that section.

Subsection (a) of existing G.S. 105-281 is not an exemption in the strict sense, although the effect is equivalent to exemption. Ordinarily, property taxes must be paid in United States currency [G.S. 105-357(a)]; and G.S. 105-281(a) constitutes an exception to that rule. Under its terms, units of local government are required to accept valid claims for charitable services performed by private hospitals "as payments on and credits against all taxes which may be or become due." It should be noted that this provision applies only to privately-owned, potentially profit-

making hospitals. Exemption for the property of governmental and private nonprofit hospitals is treated in other statutes. The provision seems to have no constitutional standing, and its usefulness is doubtful.

Subsection (b) of existing G.S. 105-281 contains two independent grants of tax relief: The first deals with fertilizer and the second with cotton on which money has been borrowed. They are discussed separately here.

The existing statute provides for a "deduction" from the value of fertilizer and fertilizer materials held for the owner's use in agriculture during the ensuing year. The amount deductible is the unpaid balance of indebtedness incurred by the taxpayer for the purchase of fertilizer or fertilizer materials -- any fertilizer or fertilizer materials whenever acquired, not necessarily that on hand on tax day. Apart from its obvious constitutional difficulties, the provision is obsolete. It was enacted before the 1939 revision of the Machinery Act changed the date as of which property was listed from April 1 to January 1. Under the present law, few farmers have substantial amounts of fertilizer on hand on tax day. Thus, even assuming a legitimate legislative interest in encouraging modern techniques of farming sufficient to justify a tax incentive to the purchase of fertilizer, this portion of § 105-281(b) is of no material benefit to farmers generally.

Subsection (b) of existing G.S. 105-281 also provides for a "deduction" from the value of stored cotton. The amount deductible is the unpaid balance of indebtedness incurred by the taxpayer for the purchase of the cotton and to secure which the cotton is pledged. Apart from its obvious constitutional weakness, the reason for offering this special consideration to only one selected category of debtor is no longer apparent. The statute offers no benefits to farmers.

The failure to recommend reenactment of the substance of G.S. 105-278(11) and -280(16) necessarily suggests the wisdom of repealing G.S. 105-287(b)(2). If special water and air pollution abatement property is not to be accorded freedom from taxation -- because in the Commission's view this is a normal and proper expense of doing business -- it follows that the portion of the existing law requiring the appraisers to ignore the installation of such property should be dropped.

Sec. 11. § 105-283. *Uniform appraisal standard.*

When G.S. 105-283 was redrafted by the General Assembly of 1971 the sentence in parenthesis was inserted so as to parallel the construction found in the section from which G.S. 105-283 was drawn [former G.S. 105-294]. It was intended to support the basic "true value" thesis of the section, not to modify or amend it in an inconsistent fashion. Nevertheless, unanticipated differences of opinion have arisen about the meaning of the phrase "as such property is usually sold," thus, to ensure that the section speaks unequivocally, the parenthetical material is omitted from the proposed revision.

Sec. 12. § 105-284. *Uniform assessment standard.*

The Commission is impressed with the presentations made to it by various taxpayers and representatives of local government about the wisdom of removing the authority to tax property at a fraction of its appraised value rather than at 100% of that figure. Acknowledging the historical justification for the existing assessment ratio authority, it now appears that the reasons for using assessment ratios are no longer valid. Assessment at full appraisal value should simplify tax processes for both taxpayer and administrator and contribute to better understanding on both sides.

Sec. 13. *Assessment procedures in municipalities situated in two or more counties.*

The proposed amendments to G.S. 105-328(a) follow necessarily from the proposal to abolish assessment ratios proposed in Section 12. The proposed changes in G.S. 105-328(a) are wholly technical in nature and represent no substantive change other than to reflect the fact that, under proposed G.S. 105-284, property will be assessed for taxation at its full appraisal value.

Sec. 14. *Definition of "assessment."*

If G.S. 105-284 is amended as proposed in Section 12, it will be necessary to amend the definition of the word "assessment" in G.S. 105-273(3) as proposed in this section.

Sec. 15. *Repeal of definition of "assessment ratio."*

If G.S. 105-284 is amended as proposed in Section 12, there will be no need for the Machinery Act to carry a definition of the term "assessment ratio," thus this section proposes the repeal of the definition now found in G.S. 105-273(4).

Sec. 16. *Effective date.*

Property is listed as of January 1 preceding the opening of the fiscal year for which it will be taxed. Exemption, classification, and value decisions all relate to the property's status on January 1. For that reason, property tax legislation should ordinarily take effect on January 1. Since enactment of this legislation cannot take place until a substantial time has elapsed after January 1, 1973, an effective date of January 1, 1974, is proposed to avoid unnecessary confusion for both taxpayers and administrators.

BILL B.

Title: *To provide for the taxation of the personal property of State and national banks.*

Explanatory Comments:

The Congress of the United States has enacted legislation that now permits states to tax national banks as they tax state banks so long as the system of taxation adopted does not discriminate against national banks. Thus, the former legal considerations supporting the present law have been substantially modified from what they were when the statute was enacted.

Without expressing an opinion on other aspects of state taxation of banks, the Commission takes the position that, since federal legislation no longer prevents it, North Carolina has no reason to exclude bank-owned personal property, tangible or intangible, from the tax base. The Commission is impressed by the large amount of tangible personal property banks own for leasing purposes and for which no taxes are paid to local government.

The proposed revision of G.S. 105-228.13 subjects banks to taxation on their tangible and intangible personal property like other owners. The revision omits the obsolete reference to "taxes levied upon the shares of stock of banks assessed under G.S. 105-346," a statute that was repealed by Chapter 806 of the Session Laws of 1971.

BILL C.

Title: *To provide for the taxation of the real and personal property of hospital, medical, and dental service corporations.*

Explanatory Comments:

Existing G.S. 57-14 levies a franchise tax on the gross receipts of hospital, medical, and dental service corporations "[f]or the purpose of raising revenues sufficient to defray the expenses of the administration" of Chapter 57 of the General Statutes, relating to the organization and operation of such corporations. The existing section also exempts all property of such corporations from taxation. The gross receipts tax is stated to be "in lieu of all other taxes," but the tax is paid to the Department of Revenue and is plainly intended to finance an appropriation to the Department of Insurance. Since 1965, some local units have received payments "for services rendered" from North Carolina Blue Cross and Blue Shield, Inc., the only extant corporation organized under Chapter 57.

Despite the legislative declaration in the existing § 57-14 that hospital and medical service corporations are "charitable and benevolent," the exemption of their property from taxation is open to serious constitutional question. The North Carolina Constitution authorizes the legislature to exempt property used for charitable purposes, but the purposes for which the property of hospital and medical service corporations is used are not charitable in the ordinary sense -- that is, philanthropic or humane. Corporations organized under Chapter 57 are simply voluntary associations offering prepayment insurance plans for hospital and medical services. They operate on a non-profit basis, but they benefit only their members -- those who have paid premiums, the amount of which is

calculated by estimating the total receipts necessary to cover the expense of services for which the association is contractually obligated to pay. Because of its doubtful constitutionality, the language exempting the property of these corporations from taxation has been removed from proposed § 57-14, and a sentence has been inserted making express provision for the taxation of such property under the Machinery Act. The exemption has not been recast as a classification because it is felt that there is no more justification for excluding from the tax base the property of Chapter 57 corporations than there is for excluding the property of any other mutual health insurance company.

BILL D.

Title: *To clarify the authority of the State to make payments in lieu of taxes on certain timberlands.*

Explanatory Comments:

1. Statutory history: The portions of existing G.S. 105-279 designated (a) and (c) date from 1957 and represent a legislative effort to reimburse local taxing units for tax losses arising from exemptions granted actively operated State-owned forest lands. The portion of the existing statute labeled (b) was inserted by action of the General Assembly of 1969.

2. Proposed repeal of substance of existing subsection (b): The provisions of existing subsection (b) of G.S. 105-279 require an organization "organized and operated exclusively to receive, hold, invest, and administer property and to make expenditures to or for the sole benefit of an educational institution" to make payments to each county in which it owns timberlands equal to the greater of (a) the proceeds from the sale of timber and other forest products, or (b) 10¢ per acre per year. Although the statute contains no express classification of such timberlands, its effect is to exclude them from the county tax base, since the prescribed payments are stated to be "in lieu of . . . the county taxes otherwise assessed" against them. As an exemption § 105-279(b) is clearly unconstitutional. Article V, § 2(3) of the North Carolina Constitution empowers the General Assembly to exempt property held for educational purposes, but § 105-279(b) does not require the timberlands in question to be so used; it merely requires that they be owned by an organization created and maintained for the benefit of an educational institution. Indeed, the use plainly contemplated by the statute is commercial -- the production of income from the sale of forest products. It is settled that the constitution does not authorize the legislature

to exempt property held as an investment even if the entire income therefrom is used for educational purposes. [Rockingham County v. Trustees of Elon College, 219 N.C. 342, 13 S.E.2d 618 (1941).]

Even viewed as an exercise of the classification power, § 105-279(b) is constitutionally questionable. Because the exclusion in no way depends on the property's use, it gives the appearance of a classification based on ownership alone. A court inclined to overlook the fact that properties in identical use are treated differently and to regard the class as defined by the limitation placed on the use of the proceeds from the property might still note the vague description of eligible recipients conveyed by the undefined term "educational institution," as well as the broad authority accorded the owning organization to accumulate the proceeds indefinitely or to reinvest them, and conclude that the benefit to the public is too attenuated to justify the classification. Moreover, the fact that the property is excluded from the county and not from the municipal tax base might well be viewed as an arbitrary discrimination among local taxing units.

The limited policy objectives likely to be furthered by § 105-279(b) are not worth the constitutional difficulties posed by the provision. There is no more reason to exempt these timberlands than there is to exempt the unrelated income-producing property of any other eleemosynary organization or institution.

Forest land used for educational purposes by an educational institution receives exemption under new § 105-278.3 as proposed in Section 4 of Bill A.

3. Proposed revision of substance of existing subsections (a) and (c):
Property owned by the state and used for a public or governmental purpose is

entitled to tax exemption, and that which is not used for a public or governmental purpose is subject to taxation. [Redevelopment Commission v. Guilford County, 274 N. C. 585, 164 S. E. 2d 476 (1968).] Thus, this statute has no significance unless the forest lands in question are being used for a public or governmental purpose. In such a situation, the legislature has sought to give some financial relief to counties that must bear the tax loss occasioned by the exemption of State-owned timberlands operated in at least theoretical competition with private properties of a similar nature. The language of the statute has been revised to make plain the legislative intent that these in-lieu payments be made annually in years in which the state conducts forestry operations. The exclusions from the statute's mandate have been continued as provided in 1957. On the other hand, the proposed statute omits the portion of the 1957 enactment that delegates to specified state agencies the discretionary authority to subject forests in their control to local taxation rather than make in-lieu payments. Such a provision, in the Commission's view, violates the constitutional grant of exemption of State-owned property used for a public purpose.

BILL E.

Title: *To clarify and expand the grant of tax relief for the residential property of elderly persons with limited incomes.*

Explanatory Comments:

Proposed G.S. 105-277.1 is a substantial revision of the existing provision for reduction in the appraised valuation of property used as the residence of persons 65 years of age or older who have limited income. The revised version is a more liberal grant of relief than that in the existing law; it corrects a number of defects in the present statute that serve to restrict unnecessarily the availability of the benefit.

Subsection (a) defines four classes of property according to the owner's age and the amount of his annual disposable income. If the owner's disposable income is less than \$5,000 but more than \$4,500, the appraised value of any property the owner uses as his "place of residence" [as defined in subsection (b)] is to be reduced by \$3,500 before taxation; if income is between \$4,000 and \$4,500 the amount of the reduction is \$4,000; if income is between \$3,500 and \$4,000 the appraised value of the property is to be reduced by \$4,500; and if income is not more than \$3,500, \$5,000 is to be deducted from the appraised value. Thus, in order to take advantage of the full \$5,000 reduction, the owner's income must not exceed \$3,500. The class defined in subsection (a)(4) is the same in respect to income requirements as that defined in the existing law. The first three classes defined in the proposed revision are intended to extend some benefit to many property owners who do not qualify under existing § 105-277.1.

Subsection (a), read together with the definitions in subsection (b), eliminates a number of the arbitrary constraints found in the existing law:

The reference in existing § 105-277.1 to the owner's "spouse" seems to require that a married couple use the same residence in order to qualify.

This requirement has been thought unnecessarily restrictive and has been omitted from the proposed revision.

Second, a person is defined in subsection (b)(2) to be an "owner" if he holds a life interest (legal or equitable) as well as a fee simple. The failure to extend the benefit to life tenants has been a primary cause of dissatisfaction with the existing provision.

Third, the definition of "disposable income" has been rewritten. The definition in the existing statute requires certain additions to be made to "gross income" as that term is defined in the North Carolina income tax statutes, but makes no provision for deductions from gross income. The effect is to include in disposable income funds which, when spent, are allowed as business deductions in arriving at taxable income. Thus, if the property owner has rental income from real estate, for example, the existing definition requires him to include in his disposable income the full amount of the rental payments received without permitting him to deduct from that amount the money spent in maintaining the rented property. Moreover, the existing definition excludes money or property acquired by the owner by gift, thus making it necessary to impose additional restrictions on the amount of income at the disposal of anyone contributing to his support. These problems are resolved in revised subsection (b)(3) by substituting as the base figure adjusted gross income (defined by G.S. 105-141.3 as gross income less expenses "incurred in deriving such income") and by requiring that there be added to adjusted gross income all "moneys received" which are not reportable as income. The revised definition thus permits the property owner to exclude from the computation of his disposable income the business expenses he is permitted to deduct for North Carolina income tax purposes. At the same time, by requiring him to include in his disposable income property acquired by gift, the new

definition makes it unnecessary to consider the income of anyone other than the owner himself.

Fourth, in addition to relaxing the constraints of the existing statute's definition of disposable income, subsection (b) expressly declares that in the case of cotenancy each cotenant is entitled to the benefit of the statute's application to his interest. This is a substantial expansion of the law.

Fifth, the requirement that the owner be "retired" is omitted from the revision; the restrictions on age and disposable income are considered to be sufficient to prevent the benefit from accruing to those not in need of it without the necessity of penalizing those with part-time employment.

Sixth, the "place of residence" is defined as that place at which the owner resides for the longest period of time in the preceding year; the revised version thus eliminates the existing requirement that the owner reside at any one place for at least six months. In this connection, subsection (b)(2) includes within the term "place of residence" any property that would have qualified under the definition of that term but for the fact that health reasons required hospitalization or residence in a nursing or similar home. Under the existing provision, a number of property owners are excluded from the benefit of the appraisal reduction merely because they live in institutions. Subsection (b)(2)'s definition of "place of residence" will now make it clear that any property used as a residence by its owner qualifies for the appraisal reduction; thus, mobile homes and house trailers, whether or not classified as real property, will come within the meaning of the benefitted classes.

Seventh, the time for filing the annual request for benefit of this statute has been extended from the thirty-day listing period to any time before May 1. Like many of the others, this provision liberalizes the requirements of the existing statute.

BILL F.

Title: *Establishing legislative policy concerning the classification and exemption of property for tax purposes.*

Explanatory Comments:

In establishing the Commission for the Study of Property Tax Exemptions and Classifications, Resolution 111 of 1971 called on the Commission "to recommend to the 1973 General Assembly a statement of public policy to guide the future exercise of discretion by the General Assembly" in classifying property for preferential treatment or exclusion from the tax base and in exempting property from taxation. Part I of this report contains the Commission's recommendations on this subject. The proposed joint resolution casts those recommendations in a form that facilitates legislative consideration. Its terms are self-explanatory.

Although adoption of this resolution will place no legal restraints on legislative exercise of the constitutional powers to exempt and classify, it will, in the Commission's view, demonstrate that the General Assembly takes seriously the need to guard the property tax base for the statewide benefit of taxpayers as well as units of local government.

BILL G.

Title: *Creating a Commission for the Study of the Property Tax.*

Explanatory Comments:

In Part II of this report the Commission recommends "That the work performed by this Commission as an outgrowth and continuation of the work begun by the 1969 Commission for the Study of the Local and Ad Valorem Tax Structure of North Carolina be continued by the 1973 General Assembly and be expanded to provide a comprehensive review of the State's property tax system and to determine its proper role in the State's total tax program." The proposed resolution is designed to implement that recommendation.

The provisions for membership, organization, staff, and financing follow the patterns established for the two earlier property tax study commissions. Unlike the resolutions establishing the earlier commissions, this proposal carries a date by which appointments to membership should be made. Both the 1969 and 1971 commissions were faced with not being able to begin work until six or more months following adjournment of the legislature that called for their establishment because all members had not been chosen until that time. This circumstance inevitably restricted commission efforts. The provisions of the proposed resolution are drafted in an attempt to reduce the possibility of delay in initiation of the work of the new commission.

APPENDIX A
LIST OF PERSONS MAKING PRESENTATIONS
TO THE COMMISSION

Individuals Appearing Before the Subcommittee
on Farm Land Assessment

- Mr. Elmer Burt, President
Wake County Farm Bureau
- Mr. John T. Morrisey, Sr., Executive Director
and General Counsel of the North Carolina
Association of County Commissioners
- Mr. Jerry W. Hardesty, Chairman
Planning Board, Currituck County
- Mr. John Ihrie, III, President
Franklin County Farm Bureau
- Mr. Robert H. Caldwell, Legislative Representative
North Carolina State Grange
- The Honorable James Graham, Commissioner
North Carolina Agriculture
- Mr. Gordon Williams
Farmer of Cumberland County
- Mr. Bill McFarland
Farmer of Durham County
- Mr. John Weatherly, Executive Director
North Carolina Forestry Association
- Mr. Frank Wicker, Chairman
Lee County Commissioners

Individuals Appearing Before the Subcommittee
on Exemptions for the Elderly

Mr. Craig Barnhardt, Vice Chairman
North Carolina Advisory Council of
Agencies for Senior Citizens

Mr. T. A. Wilson, Legislative Committee of the
Wake County Senior Citizens Association

Mrs. Charlotte McCarthy, Chairman
Legislative Committee of the North Carolina
Association of Senior Citizens

Mr. James R. Hawkins, Representing
American Association of Retired People

Mr. W. W. Howell, Chairman
Joint North Carolina Legislative Committee
Representing the National Association of
Retired Teachers and the American Association
of Retired Persons

Individuals Representing the Religious
Educational Assemblies in North Carolina

Mr. W. C. Lassiter, Attorney and Spokesman
for the Religious Educational Assemblies
in North Carolina

Mr. Ken McAnear, Representative, Ridgecrest

Mr. Frank Washburn, Executive Director, Blue Ridge

Mrs. Melba Banks, Representative, Christmont

